Interim Report

at 30 June 2015

iren

Contents

INTRODUCTION

Please note that in the interim financial report at 30 June 2015, in keeping with what was presented in the interim financial report at 30 June 2014, the comparative data of the first half of 2014 shown in the report on operations differ from those shown in the condensed consolidated interim financial statements. In fact, already on the occasion of the 2014 interim report to which you are referred, the Directors considered it opportune to prepare, besides the financial statements drawn up in accordance with the international accounting standards in force, specific statements (included in the report on operations) which reflect in full, by single income statement line, revenue and costs of the district heating of the City of Turin, highlighting the strategic significance of the district heating business - testified by the non-proportional partial spin-off operation with which starting from 1 July 2014 the district heating business of AES Torino S.p.A. was fully acquired by Iren Energia S.p.A. - in which the Iren Group is a leader in Italy, and the role performed by the Group in managing and developing district heating in the City of Turin.

For the reasons explained above, the comments on the Iren Group's economic and financial performance relating to the first half of 2014, make reference to these restated statements.

KEY FIGURES OF THE IREN GROUP

	First half 2015	First half 2014	% change
Income statement figures *(millions of euro)*			
Revenue	1,579	1,521	3.8
Gross Operating Profit (EBITDA)	378	371	2.0
Operating profit (loss) (EBIT)	217	229	(5.3)
Profit (loss) before tax	183	168	9.0
Profit (loss) for the period - Group and non-controlling interests	115	87	32.5
Financial position figures *(millions of euro)*	*A t 30/06/2015*	*A t 31/12/2014*	
Net invested capital	4,192	4,279	(2.0)
Shareholders' equity	2,037	1,994	2.2
Net financial position	(2,155)	(2,286)	(5.7)
Financial/economic indicators			
	First half 2015	*First half 2014*	
GOP/Revenue	23.9%	24.4%	
	At 30/06/2015	*At 31/12/2014*	
Debt/Equity	1.06	1.15	
Technical and commercial figures	*First half 2015*	*First half 2014*	
Electricity sold (GWh)	5,724	5,755	-0.5
Thermal energy produced (GWh_t)	1,532	1,494	2.6
District heating volume (mln m^3)	80.4	79.0	1.8
Gas sold (mln m^3)	1,356	1,242	9.2
Water distributed (mln m^3)	71	72	-0.9
Waste collected (tonnes)	606,104	355,971	70.3
Waste disposed of (tonnes)	391,382	300,970	30.0

Iren is structured as an industrial holding, with headquarters in Reggio Emilia and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies responsible for the single business lines. The holding company handles strategic, development, coordination and control activities, while the five operating companies ensure the coordination and development of business lines as follows:

- Iren Acqua Gas operates in the integrated water cycle and in the gas distribution sector;
- Iren Energia operates in the electricity and thermal energy production and technological services sector;
- Iren Mercato manages the sale of electricity, gas and district heating;
- Iren Emilia operates in the gas distribution sector and manages local services;
- Iren Ambiente provides environmental hygiene services in all the chain from waste collection, following acquisition of the business unit from Iren Emilia, to disposal, as well as designing and managing treatment and disposal plants.

Electricity Production: thanks to a considerable number of electricity energy and thermal energy for district heating production plants, the overall production capacity is more than 8,800 GWh/year, including the portion ensured by the plants acquired from Edipower (Turbigo and Tusciano) during financial year 2014.

Gas Distribution: through its network of more than 7,600 kilometres Iren serves approximately 719,000 customers.

Electricity Distribution: with 7,283 kilometres of high, medium and low voltage underground and overhead networks, the Group distributes electricity to approximately 685,000 customers in Turin and Parma.

Integrated water cycle: with around 15,400 kilometres of aqueduct networks, over 9,100 kilometres of sewerage networks and 1,076 treatment plants, Iren provides services to more than 2,400,000 residents.

Environmental cycle: with 123 fully-equipped ecological stations, 2 waste-to-energy plants, 1 landfill site, 17 treatment, selection and storage plants and 2 composting plants, the Group serves historically in Emilia around 116 municipalities for a total of around 1,139,000 residents and around 1,100,000 tonnes managed. From 1 January 2015 the company AMIAT SpA also became part of the IREN Group. In the City of Turin AMIAT provides waste management and environmental health services, winter road management services and services related to the closure and post-operative management of the "Basse di Stura" landfill site. AMIAT SpA serves an area with a population of about 1 million and manages around 413,000 tonnes of waste a year.

District heating: through 864 kilometres of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 80 million m^3, equivalent to a population served of over 802,000 people.

Sales of gas, electricity and heat: each year the Group sells over 2 billion m^3 of gas, around 11,151 GWh of electricity and 2,636 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairman	Francesco Profumo
Deputy Chairman	Ettore Rocchi (1
Chief Executive Officer	Vito Massimiliano Bianco
Directors	Franco Amato (2)
	Lorenzo Bagnacani
	Roberto Bazzano
	Tommaso Dealessandri
	Anna Ferrero
	Augusto Buscaglia (3)
	Alessandro Ghibellini (4)
	Fabiola Mascardi (5)
	Moris Ferretti (6)
	Barbara Zanardi (7

Board of Statutory Auditors (8)

Chairperson	Michele Rutigliano
Standing Auditors	Emilio Gatto
	Annamaria Fellegara
Supplementary Auditors	Giordano Mingori
	Giorgio Mosci

Financial Reporting Manager

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A.

(1) Appointed Deputy Chairman by the Board of Directors on 4 June 2015, a position held until 30 April 2015 by Andrea Viero (who resigned on that date)
(2) Chairman of the Control and Risk Committee and member of the Committee for Transactions with Related Parties
(3) Member of the Remuneration and Appointments Committee
(4) Member of the Control and Risk Committee
(5) Chairman of the Remuneration and Appointments Committee and member of the Committee for Transactions with Related Parties
(6) Co-opted by the Board of Directors on 4 June 2015 to replace Andrea Viero, who had resigned, and at the same meeting appointed Member of the Remuneration and Appointments Committee
(7) Chairperson of the Committee for Transactions with Related Parties and member of the Control and Risk Committee
(8) Elected by the Ordinary Shareholders' Meeting of 28 April 2015 for the three-year period 2015-2017.
(9) Appointment conferred by the Ordinary Shareholders' Meeting of 14 May 2012 for the nine-year period 2012-2020.

MISSION AND VALUES OF THE IREN GROUP

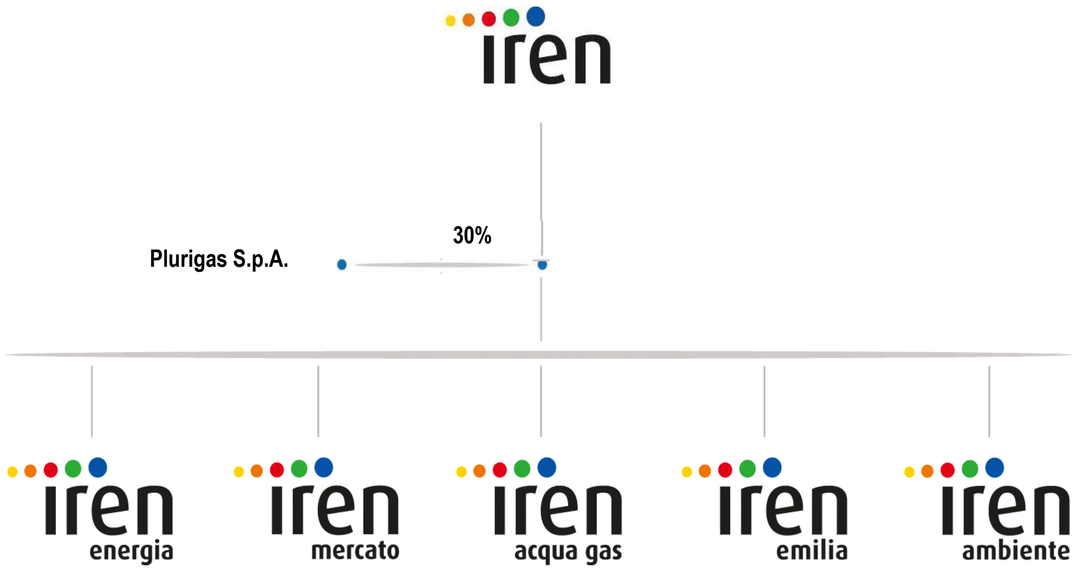
The Iren Group's mission is to offer its customers and residents service efficiency, effectiveness, economic convenience and high quality, operating with expertise and professionalism with full respect for the environment and safety in the energy, integrated water services and waste management sectors and on behalf of public administrations, contributing to the well-being of its staff and of the community and guaranteeing its shareholders adequate profitability.

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia
Share capital fully paid - in 1,276,225,677.00
Reggio Emilia Companies Register No. 07129470014
Tax Code and VAT No. 07129470014

Directors' Report

at 30 June 2015

IREN GROUP: ORGANISATIONAL STRUCTURE



The shareholders' meeting of 27 March 2013 resolved to place Plurigas S.p.A. in voluntary liquidation.
Note that this is the organisational structure for management purposes.

The flowchart illustrates the main investee companies of Iren S.p.A.

IREN ENERGIA

Cogenerative production of electricity and heat

Iren Energia's installed capacity (in electrical set-up), totals approximately 3,000 MW, of which around 2,800 MW is directly generated and around 200 MW through the investee Energia Italiana. Specifically, Iren Energia owns 25 electricity production plants: 19 hydroelectric plants, 6 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,800 MW of electricity and 2,300 MW of heat, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. In particular, the hydroelectric production system plays an important role in environmental protection, as it uses a renewable and clean resource without the emission of pollutants. Hydroelectric energy reduces the need to make use of other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia, which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment. 40% of total heat production capacity is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Heat production was in the region of 1,532 GWh_t in the first half of 2015, with district heating volumes of approximately 81 million m^3.

District heating

Since 1 July 2014, following the spin-off of AES Torino (previously 51% owned) Iren Energia has managed the district heating business directly, making use in the Piedmontese capital of the largest district heating network in Italy, with approximately 525 km of dual pipes.
Iren Energia also owns the district heating networks of Reggio Emilia, covering around 217 Km, Parma with roughly 91 Km, Piacenza which covers approximately 20 km, and Genoa with 10 km.
Lastly, Nichelino Energia, wholly owned by Iren Energia, aims at developing district heating in the town of Nichelino.

Electricity distribution
Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electricity to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents); in the first six months of 2015 the electricity distributed was 1,978 GWh.

Services to Local Authorities and Global Service
Iren Servizi e Innovazione (formerly Iride Servizi) provides Turin with street and monument lighting services, the traffic light service, technological global service management of buildings and of renewable and alternative energies.
In addition, Iren Servizi e Innovazione builds plants for the generation of electricity, using renewables or similar sources such as tri-generation.

IREN MERCATO

Through Iren Mercato the Group sells electricity, gas and heat, supplies fuel to the Group, trades energy efficiency certificates (or white certificates), green and emission trading certificates, provides customer management services to Group companies, and supplies heat services and sells heat through the district heating network.
Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy.
Iren Mercato carries out the activities of programming, despatching and final accounting for electricity; it also handles the sale of the energy provided by the Group's various sources on the market represented by final customers, the Italian power exchange and other wholesale operators.
The Group's main power sources available for Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A.
Iren Mercato also acts as “higher protection” service operator for retail customers in the electricity market in Turin province and the Parma area.
Lastly, Iren Mercato handles heat sales to district heating customers in Turin and the provincial capitals of Reggio Emilia, Piacenza and Parma, together with sales development in new district heating areas and in the urban district of Turin for its surrounding municipalities (Nichelino).
Iren Mercato has operated historically in the direct sale of natural gas in the territories of Genoa, Turin and Emilia.
The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, also through subsidiaries and investee companies. This contractual model guarantees long-term customer loyalty, with consequent maintenance of the natural gas supplies which constitute one of the core businesses of Iren Mercato.

Sale of Natural Gas
Total volumes of natural gas procured during the first six months of 2015 were approximately 1,356 million m^3 of which 636 million m^3 were sold to customers outside the Group, 618 million m^3 were used within the Iren Group both for electricity and thermal energy production and for the provision of heating services and 102 million m^3 of gas were destined for storage.
At 30 June 2015 gas customers managed directly by Iren Mercato totalled around 728,000, spread throughout the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electricity
The volumes sold in the first half of 2015 amounted to 5,724 GWh.
Electricity customers managed at the end of June 2015 were around 712,000, distributed mainly in the areas traditionally served, corresponding to Turin and Parma, and in the areas covered commercially by the company.

A cluster analysis of final customers is provided below.

Free market and power exchange
Total volumes sold to final customers and wholesalers amounted to 2,157 GWh, while the volumes used on the power exchange net of energy bought/sold amounted to 2,927 GWh.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were 285,000 in the first six months of 2015. The total volumes sold amounted to 320 GWh.

Sale of heat through the district heating network
Iren Mercato manages heat sales to customers receiving district heating in the municipalities of Genoa, Turin and Nichelino, and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, customer relations management and the control and management of substations powering the heating systems of buildings served by the network. The heat sold to customers is supplied by Iren Energia S.p.A. under trading conditions that guarantee adequate remuneration.
In the first half of 2015 the district heating volume amounted to 81.1 million m^3.

Heat service management
The Group sells heat management services and global services to both private entities and public authorities.

IREN ACQUA GAS

Integrated Water Services
Iren Acqua Gas manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza, both directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio and through the investee Am.Ter. In particular, from July 2004 it assumed the role of market operator for the Genoa ATO [Ambito Territoriale Ottimale], and from 1 July 2010 management of the water division for the Reggio Emilia and Parma areas was granted to Iren Acqua Gas as part of the Iride-Enìa merger.
From 1 October 2011, as a result of transfer of the water division from Iren Emilia, Iren Acqua Gas extended its management to the Piacenza ATO.
Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed ATOs (Genoa, Reggio Emilia, Parma and Piacenza).
In the first half of 2015, Iren Acqua Gas, directly and through its subsidiaries, sold approximately 71 million m^3 of water in the areas managed, through a distribution network of over 14,100 km. With regard to waste water, the company manages a sewerage network spanning approximately 8,000 km.

Gas distribution
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes natural gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 final customers. The distribution network comprises about 1,657 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through 7 interconnected natural gas reception cabins owned by the company and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience to residents to a minimum.
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed a total of 216 million m^3 of gas during the first six months of 2015.

Special technological services/research
Through its Saster and SasterPipe Divisions, Genova Reti Gas is able to offer network engineering services to the market (IT, modelling, simulation) and upgrading of technological networks with no-dig technologies, of which the company has exclusive know-how. In order to specifically promote and organise scientific and cultural initiatives to safeguard the environment and water resources and to provide optimum network management services, in 2003 the Fondazione AMGA Onlus was also created. The foundation promotes and implements research, training and information projects, and provides

support for initiatives implemented by other entities in relation to environmental protection and the organisation of public utility services.

IREN EMILIA

Iren Emilia operates in the natural gas distribution sector and coordinates the operation management activities of Emilia Romagna area companies for the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, public parks management, etc.).
Iren Emilia manages natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages a total of 5,955 km of high, medium and low pressure distribution networks with a designed maximum withdrawal capacity of 862,195 SMC/h.
Up to 30 June 2014 Iren Emilia carried on its business in the waste management service sector in the provinces of Piacenza, Parma and Reggio Emilia for a total 116 municipalities in these areas.
Iren Emilia also carries out operational management of the integrated water cycle (pipelines, treatment and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity involves a total network of 12,275 km of pipeline networks, 7,010 km of sewerage networks, 477 waste water pumping systems and 798 treatment plants, both biological treatment plants and Imhoff tanks, distributed across 109 Municipalities.
The operational management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 330 km that serves a total volume of 19.7 million m^3.
Iren Emilia also runs the district heating plants through the management, extraordinary maintenance and operation of heat energy plants and cogeneration plants owned by Iren Energia in the three provinces of Parma, Reggio Emilia and Piacenza.
Operational management of the electricity distribution network is carried out in the city of Parma and concerns 2,413 km of network and almost 125,000 delivery points to final customers.

IREN AMBIENTE

Whether directly or through investees, Iren Ambiente performs the treatment, disposal, storage, recovery and recycling of urban and special waste, energy recovery (heat and electricity) through waste-to-energy (WtE) transformation and the operation of plants for the production of biogas in the provinces of Parma, Reggio Emilia and Piacenza.
Following the acquisition of the "waste collection" business unit sold by Iren Emilia with effect from 1 July 2014, Iren Ambiente S.p.A. also carries on the waste collection and road sweeping business as well as other collateral services.
This extraordinary operation made it possible to optimise management of the collection and street-cleaning activities and to concentrate in a single entity the entire management of the economic and industrial cycle of waste.
As a consequence of the aforesaid operation, Iren Ambiente therefore operates in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving a total 116 municipalities and approximately 1,139,000 inhabitants in these areas at 31 December 2014.
The growing attention to environmental protection and sustainable development, has led to ever-increasing implementation of widespread separate waste collection systems which, also through the management of 123 fully-equipped ecological stations, has allowed the area served to achieve 64% in terms of total separate collection.
Iren Ambiente S.p.A. also manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste.
The non-separated portion of waste collected is disposed of in various ways as part of research into the best use of waste through an industrial process involving mechanical selection to reduce the percentage destined for WtE conversion and disposal in landfills.
Iren Ambiente S.p.A. manages around 1,150,000 tonnes of waste per year, making use of 17 treatment, selection and storage plants, 2 waste-to-energy plants (Piacenza and Parma), 1 landfill site (Poiatica - Reggio Emilia) and 2 composting plants (Reggio Emilia). The new Integrated Environmental Centre (IEC), a

waste selection and waste-to-energy plant in the province of Parma, came into full operation in April 2014.

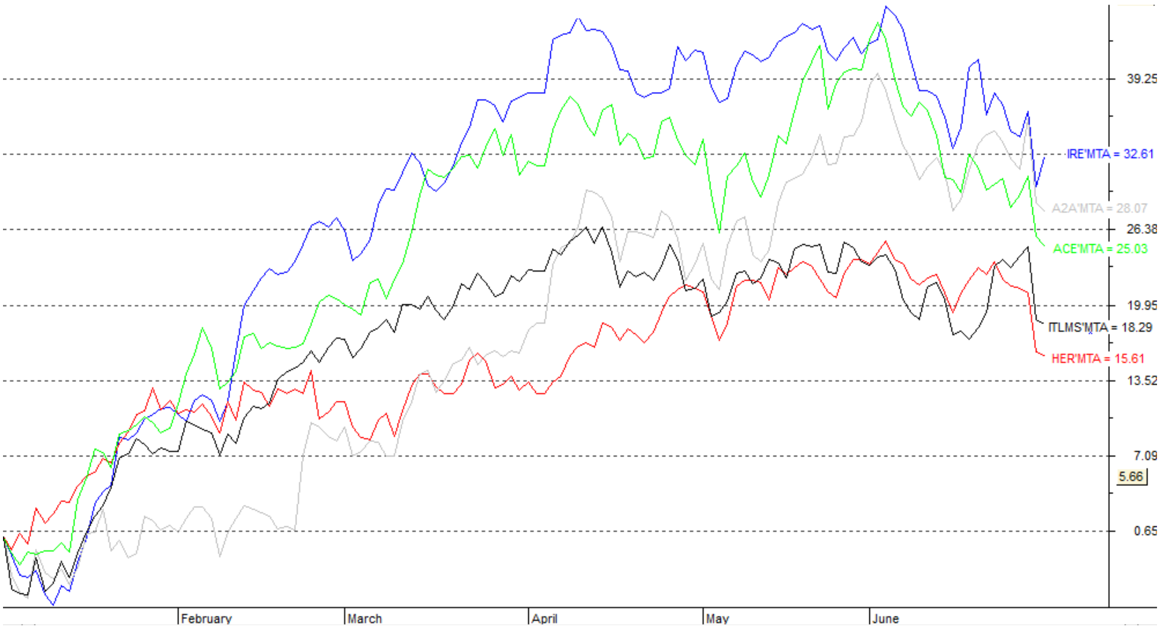
Iren Ambiente also controls, through AMIAT V SpA, the company AMIAT SpA which in the City of Turin AMIAT provides waste management and environmental health services, winter road management services and services related to the closure and post-operative management of the “Basse di Stura” controlled landfill plant. AMIAT SpA serves an area with a population of about 1 million and manages around 413,000 tonnes of waste a year.

INFORMATION ON THE IREN SHARE IN THE FIRST HALF OF 2015

IREN SHARE PERFORMANCE ON THE STOCK EXCHANGE

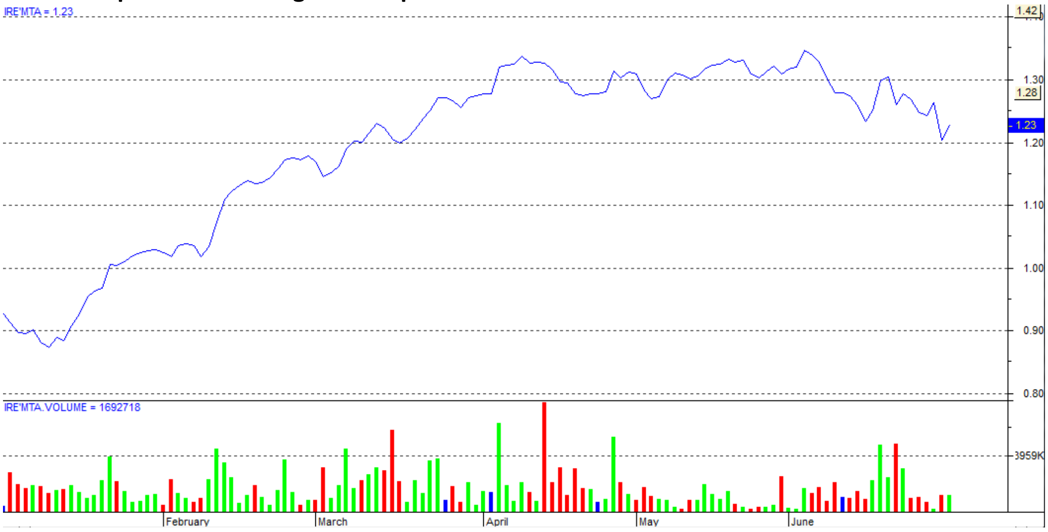
In the first half of 2015 the Iren stock achieved the best performance in the sector, recording a rise of approximately 33% compared with an increase in the MTA index of approximately 18%.
This positive performance derives mainly from expectations of growth and greater efficiency associated with the projects launched by the new Chief Executive Officer Massimiliano Bianco, who took office at the beginning of December 2014, and who on 17 June presented the new business plan to the financial community.

Performance of the Iren stock v. competitors



At the end of June 2015 the Iren share recorded Euro 1.23 per share, with average trading volumes since the start of the year of around 2.1 million units per day.
During the first half of the year the average share price was Euro 1.19, peaking at Euro 1.354 on 3 June and bottoming out at Euro 0.87 on 12 January.

Iren share price and trading volume performance

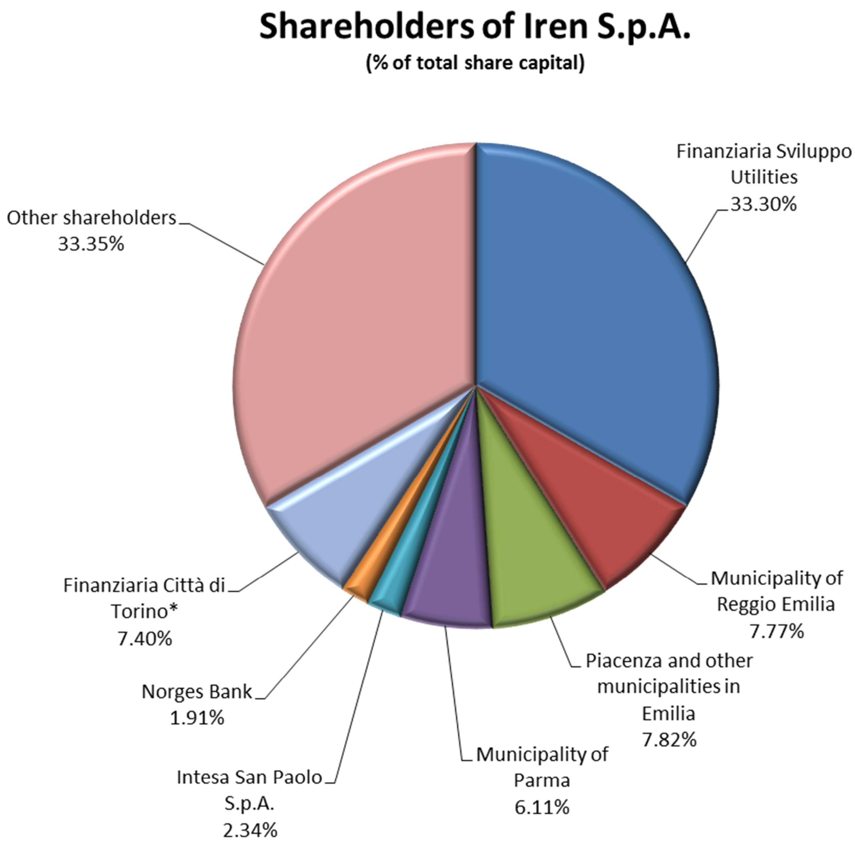


Stock coverage

The Iren Group is currently covered by six brokers: Banca IMI, Banca Akros, Equita, Intermonte, KeplerCheuvreux and Mediobanca.

SHAREHOLDING STRUCTURE

At 30 June 2015, based on available information, the shareholding structure of Iren was as follows:

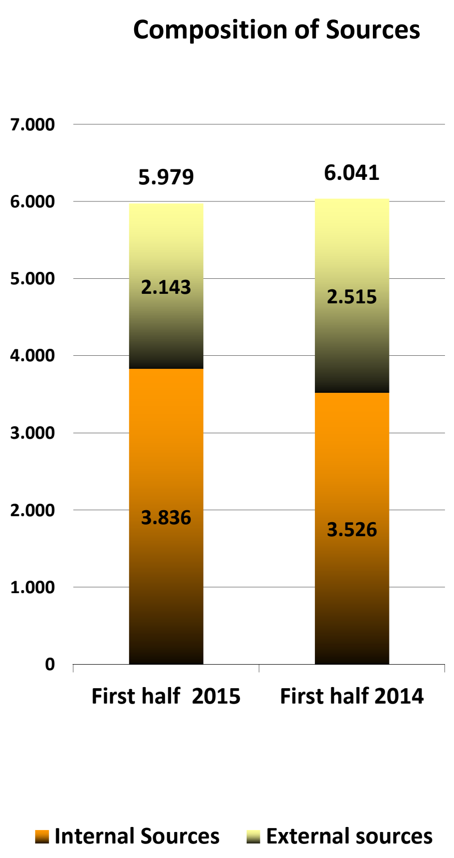


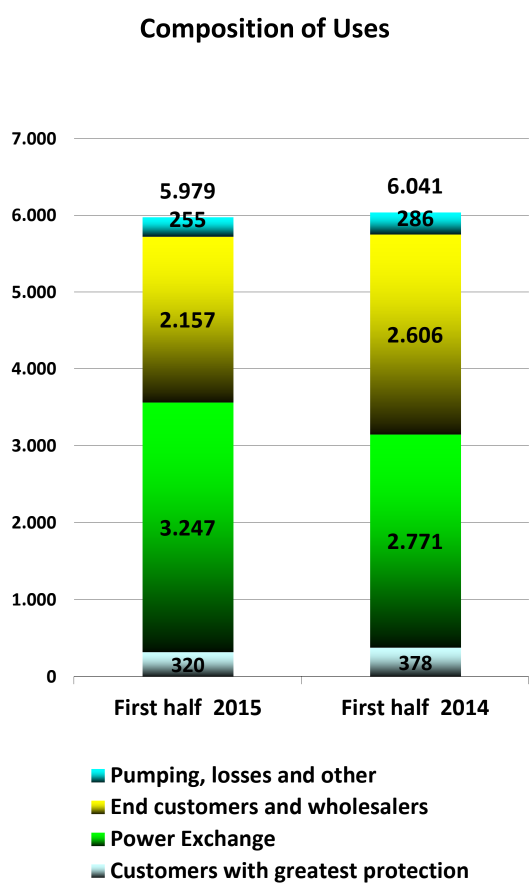
(*) savings shares without voting rights

OPERATING DATA

Electrical energy balance sheet

GWh	First Half 2015	First Half 2014	% change
SOURCES			
The Group's gross production	3,836	3,526	8.7
a) Hydroelectric	*767*	*685*	*11.9*
b) Thermoelectric	*335*	*345*	*-2.8*
c) Cogenerative	*2,475*	*2,293*	*7.9*
d) Production from WTE plants and landfills	*259*	*203*	*27.6*
Purchases from *Acquirente Unico* [Single Buyer]	337	397	-15.1
Energy purchased on the Power Exchange	791	1,092	-27.6
Energy purchased from wholesalers and imports	1,015	1,026	-1.1
Total Sources	**5,979**	**6,041**	**-1.0**
USES			
Sales to protected customers	320	378	-15.3
Sales on the Power Exchange	3,247	2,771	17.2
Sales to eligible final customers and wholesalers	2,157	2,606	-17.2
Pumping, distribution losses and other	255	286	-10.8
Total Uses	**5,979**	**6,041**	**-1.0**

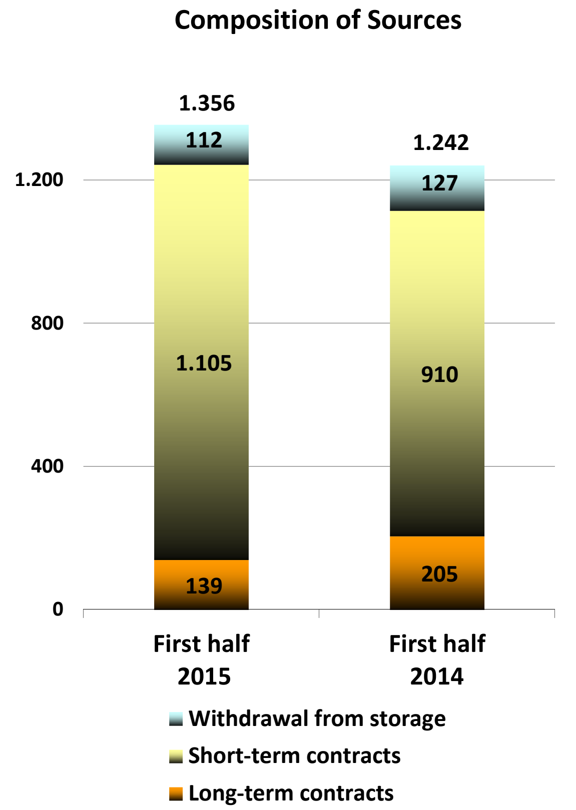


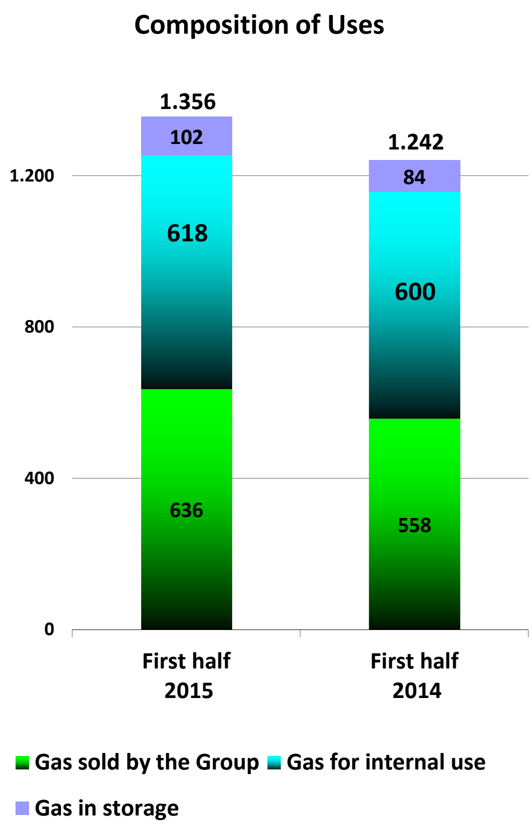


Gas Production

Gas Production Millions of m³	First half 2015	First half 2014	% change
SOURCES			
Long-term contracts	139	205	-32.0
Short-term contracts (annual and spot)	1,105	910	21.4
Withdrawals from storage	112	127	-11.8
Total Sources	**1,356**	**1,242**	**9.2**
USES			
Gas sold by the Group	636	558	14.0
Gas in storage	102	84	21.5
Gas for internal use (1)	618	600	3.0
Total Uses	**1,356**	**1,242**	**9.2**

(1) Internal use involved thermoelectric plants, tolling, use in the generation of heat services and internal consumption





Network services

	First half 2015	First half 2014	% change
ELECTRICITY DISTRIBUTION			
Electricity distributed (GWh)	1,978	1,915	3.3
No. of electronic meters	706,535	701,503	0.7
GAS DISTRIBUTION			
Gas distributed by Iren Acqua Gas (mln m³)	*216*	*209*	*3.5*
Gas distributed by Iren Emilia (mln m³)	*504*	*452*	*11.5*
Total Gas distributed	720	661	8.9
DISTRICT HEATING			
District heating volume (mln m³)	80.4	79	1.8
District heating network (Km)	889	878	1.3
INTEGRATED WATER SERVICE			
Water volume (mln m³)	71	72	-0.9

MARKET CONTEXT

MACROECONOMIC PERFORMANCE

After a long period of recession which began in the second half of 2011, for the first quarter of 2015 Istat has confirmed an increase, although a modest one, in GDP of +0.3% compared with the previous quarter and +0.1% compared with the first quarter of 2014. The growth is tied to the positive results of the manufacturing and construction sectors, in the presence of substantially stationary services.
In the second quarter the short-term indicators found by Istat show that the economic recovery tends to continue, but the information coming from production sectors suggests that it is less intense than in the first three months. The labour market seems to offer some positive signs, but an authentic recovery of employment has not yet begun.
Reduction of energy costs, the falling euro and the ECB's monetary policy have created a framework conducive to growth in the Euro Area and Italy. However there remains great uncertainty owing both to a slowdown in the international context and above all to the latest evolutions of the Greek crisis which generates unknown and destabilising effects.
Recent OECD estimates see Italian GDP growth at an annual level of +0.6% in 2015 and +1.5% in 2016, while the government's April DEF estimate indicates respectively +0.7% e +1.3%.

The electricity market

In the period January - June 2015 the net production of electricity in Italy was 131,244 GWh, down (-1.2%) compared with the same period of 2014. The demand for electricity, 153,239 GWh (-0.3%) was met for 86.3% from domestic production (-1.0%) and the remaining 13.7% from foreign production. At the national level, traditional thermoelectric production was 83,184 GWh, an increase of 4.1% compared to 2014 and represented 63.4% of the production supply; hydroelectric production was 23,289 GWh (-23% compared to 2014) representing 17.7% while geothermal, wind and photovoltaic production was 24,771 GWh (+9.4%) covering 18.9% of supply.

Demand and supply of accumulated electricity

(GWh and changes in trends)

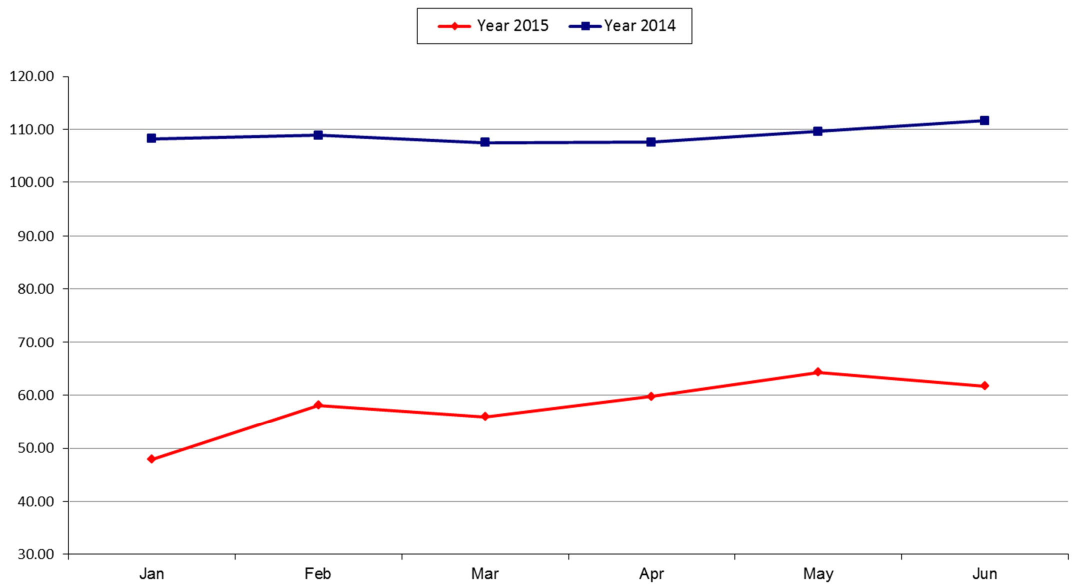
	up to 30/06/2015	**up to 30/06/2014**	**% change**
Demand	**153,239**	**153,680**	**-0.29%**
- *North*	70,707	71,328	-0.87%
- *Centre*	45,782	46,124	-0.74%
- *South*	22,797	22,126	3.03%
- *Islands*	13,953	14,102	-1.06%
Net production	**131,244**	**132,788**	**-1.16%**
- *Hydroelectric*	23,289	30,262	-23.04%
- *Thermoelectric*	83,184	79,881	4.13%
- *Geothermoelectric*	2,874	2,722	5.58%
- *Wind and photovoltaic*	21,897	19,923	9.91%
Foreign balance	**22,939**	**22,251**	**3.09%**

Source: RIE processing of TERNA data

The first half of 2015 saw total demand for electricity substantially stable compared to the previous year. The figure again shows a negative sign, although a minimum one (-0.3%). The percentage decreases occurred in all parts of the country, the greatest decreases being recorded in the North East (-3.2%) and in Sicily (- 5.4%).

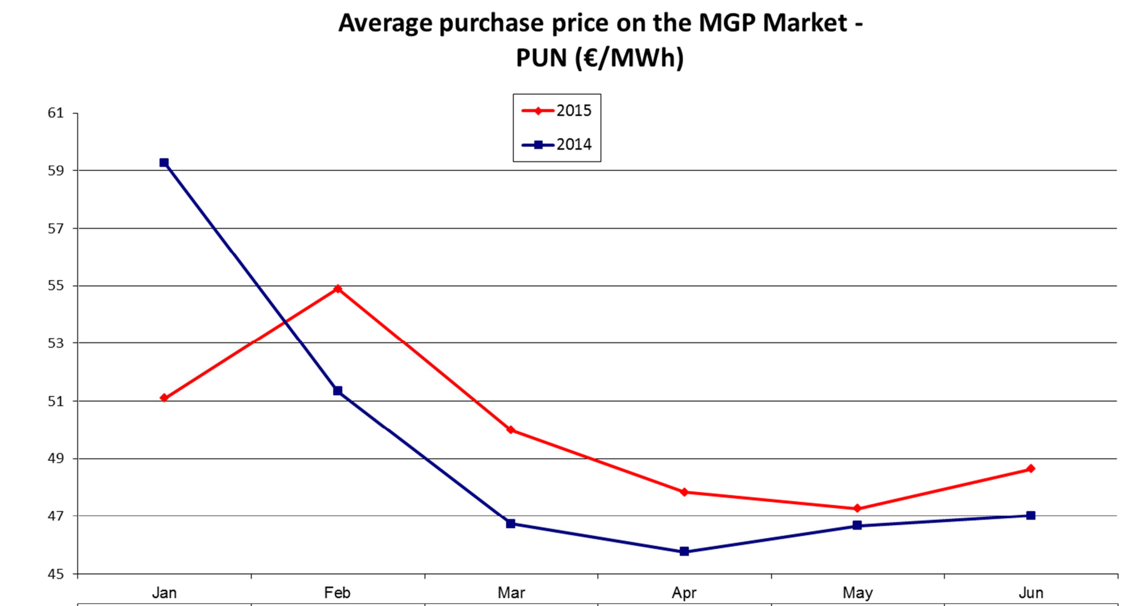
In the first 6 months of 2015 the price of crude oil was 57.95 $/bbl, sharply down compared to the same period of 2014 (-46.8%). The average $/€ exchange rate was 1.1158, also down (-18.6%) compared to the average for the same period of 2014. As a result of the previous trends, the average price of crude oil in euro was 51.9 €/bbl in 2015, down compared to the 2014 average (-34.7%).
In the second quarter of 2015, the prices in dollars of Brent Dated showed a fluctuating trend compared to the rising one of the previous quarter, therefore up compared to the beginning of the year. In particular in May Brent arrived at 64.3 $/bbl, up by approximately 4.5 dollars compared to April. The May figure is however the highest average of the year. The interpretation of the real fundamentals suggests caution and confirms the discontinuous trend in prices visible in the reduction of 2.5 $/bbl in June.

Trend Brent ($/BBL)



	Jan	Feb	Mar	Apr	May	Jun
Year 2015	47.86	58.13	55.92	59.76	64.32	61.69
Year 2014	108.25	108.87	107.54	107.63	109.61	111.65

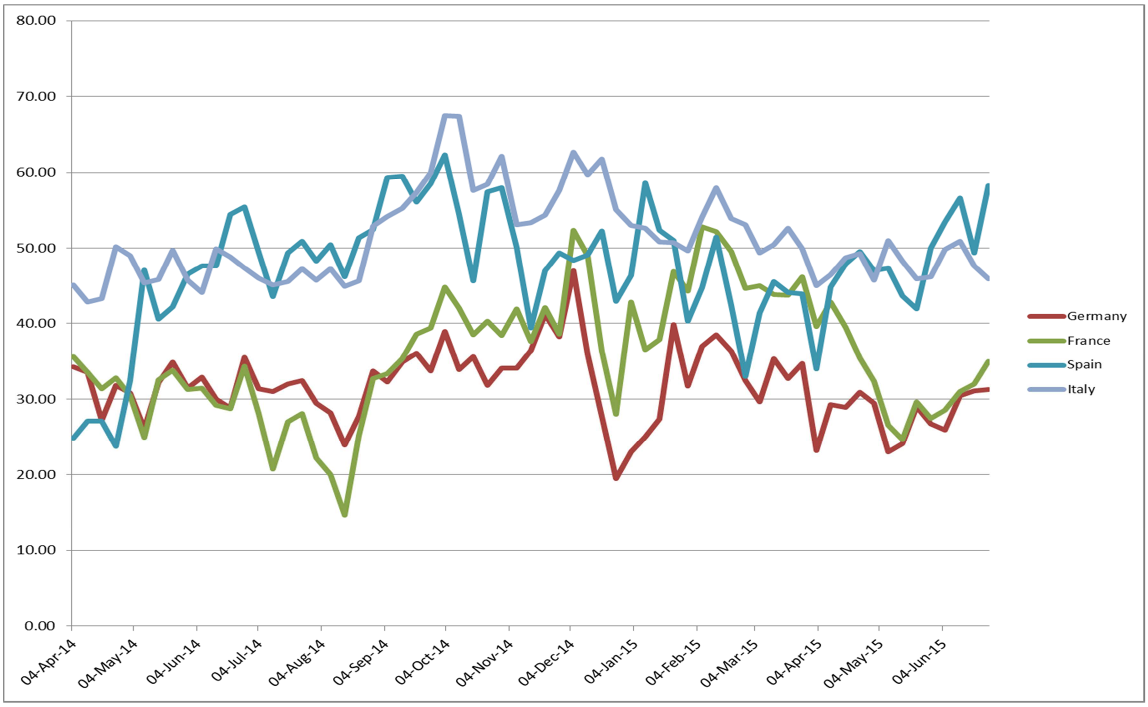
The second quarter of 2015 on the power exchange (Day-Ahead Market) ended with an average price of 47.9 €/MWh which unlike in the previous quarter did not represent the lowest point since the launch of the energy platform as it was 3.1% higher than the figure in the same period of 2014. In the half-year period the price was up 1% compared to the previous year.



	Jan	Feb	Mar	Apr	May	Jun
2015	51.10306974	54.89611686	49.99136578	47.84360544	47.26911254	48.64072215
2014	59.26874207	51.33791168	46.73044212	45.76017046	46.65729601	47.02284209

In relation to regional prices, in the half-year period, the lowest price was located in the South, repeating what occurred in 2014. Sicily, with 57.7 €/MWh, was also confirmed as the zone with the maximum price although the difference from the Single National Price (SNP) was decidedly lower (it was in fact +55.4% in 2014 compared to the current +15.9%).

In the half-year period the European power exchanges expressed an average price of 38.7 €/MWh compared to the Ipex average SNP of 49.96 €/MWh with a difference of 11.3 €/MWh down compared to the 16.3 €/MWh of 2014 and to the 21.2 €/MWh of 2013.



This table shows a comparison between the average futures prices of products available for the second quarter of 2015. In the three months from April to June increases were recorded for the prices of the quarterly periods of September and December 2015 and June 2016. The annual future price (December 2016) which quoted 44.7 €/MWh in January went up to 48.3 €/MWh in June (+3.6 €/MWh).

April 2015 Futures	
Monthly	**€/MWh**
may-15	46.0
jun-15	47.5
jul-15	50.2
Quarterly	**€/MWh**
sep-15	50.3
dec-15	51.3
mar-16	51.2
jun-16	42.0
Yearly	**€/MWh**
dec-16	47.3

May 2015 Futures	
Monthly	**€/MWh**
jun-15	47.9
jul-15	50.5
aug-15	49.3
Quarterly	**€/MWh**
sep-15	50.5
dec-15	51.3
mar-16	51
jun-16	43.3
Yearly	**€/MWh**
dec-16	47.7

June 2015 Futures	
Monthly	**€/MWh**
jul-15	52.2
aug-15	50.3
sep-15	52.6
Quarterly	**€/MWh**
sep-15	51.6
dec-15	51.7
mar-16	50.9
jun-16	44.3
Yearly	**€/MWh**
dec-16	48.3

Source: RIE processing of IDEX data

The Natural Gas Market

After the sharp drop in Italian consumption in 2014 (-11.6%, -8.2 bln m^3), the first half of 2015 showed demand increasing by 8.0%, the result of more significant growth in the first 4 months of the year and substantial stagnancy in the other two. The “recovery” compared to 2014 was +2.6 bln m^3, due for 70% to greater withdrawals from the distribution networks (+10.9%) following slightly more rigid temperatures compared to the previous winter season and for 28% to an increase in volumes for thermoelectric uses (+8.7%). This latter, with demand for electricity substantially the same, seems favoured above all by the reduction in hydroelectric production. Industrial consumption was instead negative (-1.3%).
On the supply side, imports grew by 0.6% while Italian production fell by 5.3%. The balance of the storage systems (outputs+/inputs-) indicates +2.5 bln m^3 compared to -0,1 bln m^3 in the previous year, the result of the more than abundant recourse to stored gas in the sites made by the operators during last winter.
At the end of June all the storage capacity had been conferred and Stogit data indicate a stock of 5.7 bln m^3 equivalent to 50% of the space offered and assigned (11.5 bln m^3). On the same day of 2014 the stock was significantly higher at approximately 7.6 bln m^3.
Since the start of the year, the volumes imported have come 49.0% from Tarvisio (mainly Russia), 15.6% from Passo Gries (Northern Europe), 12.3% from Mazara del Vallo (Algeria), 12.9% from Gela (Libya) and 10.2% from the Rovigo regasification plant/Cavarzere entry point (Qatar).

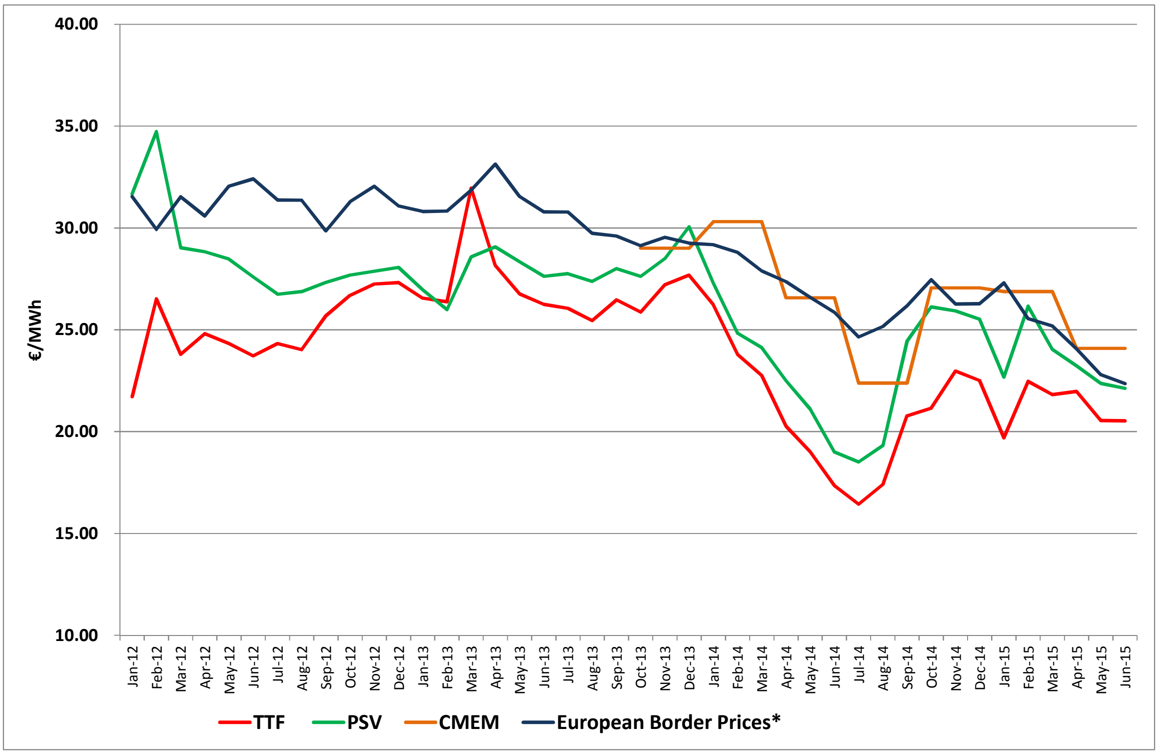
Uses and sources of natural gas in the first half of 2015 and comparison with previous years

	2015	***2014***	***2013***	**2012**	**2008**	***Var. % '15/'14***	***Var. % '15/'13***	***Var. % '15/'12***	***Var. % '15/'08***
GAS USED (bln m3)									
Distribution plants	18.5	16.7	20.6	20.3	19.4	10.9%	-9.8%	-8.6%	-4.4%
Industrial use	6.6	6.7	6.8	7.0	8.0	-1.3%	-2.1%	-4.9%	-17.1%
Thermoelectric use	9.1	8.4	9.8	12.3	16.7	8.7%	-7.2%	-26.4%	-45.4%
Third party network and system consumption (*)	1.0	0.9	1.0	1.4	1.6	18.0%	0.9%	-26.8%	-39.0%
Total withdrawn	**35.3**	**32.7**	**38.1**	**41.0**	**45.7**	**8.0%**	**-7.5%**	**-13.9%**	**-22.8%**
GAS INPUT (bln m3)									
Domestic production	3.3	3.4	3.7	4.1	4.7	-5.3%	-12.7%	-20.2%	-30.1%
Imports	29.5	29.3	30.8	36.8	40.7	0.6%	-4.0%	-19.7%	-27.5%
Storage	2.5	- 0.1	3.63	0.1	0.3	ns	ns	ns	ns
Total input	**35.3**	**32.7**	**38.1**	**41.0**	**45.7**	**8.0%**	**-7.5%**	**-13.9%**	**-22.8%**

(*) Includes: transport, exports, transport company redeliveries, input/output changes, losses, consumption and gas not accounted for.
Source: processing of Snam Rete Gas data: provisional for June 2015.

Wholesale natural gas prices tended to fall in all international areas during the first half of 2015 compared to the end of 2014. In Europe, in a context of still weak demand accentuated by the prolonged mild winter, the hub prices after a sharp reduction in January (-12% v. December), against the normal seasonal trends, saw a temporary rise in February (+13%/+15%); later, with the progression of the spring and with no significant events to change the market relationships, the figures started to fall again (in May between -3% and -6%) before stabilising in June. The Dutch TTF which has become the most liquid European hub overtaking the British NBP, recorded a six-monthly average figure for spot prices of 21.2 €/MWh. The Italian PSV was the hub with the highest figures for an average of 23.4 €/MWh and a difference compared with the TTF of +2.2 €/MWh (+10%), oscillating from +3.7 €/MWh in February to +1.3/+1.8 €/MWh in the second quarter.
Future prices also fell, for four consecutive months after rising in February.
While the 2015 six-monthly average spot prices were slightly lower than (northern-European hubs) or more or less the same as (PSV) those of 2014, as regards the second quarter the 2015 prices were instead higher, within a range of +8%/+11%, in comparison with those of the same period 2014, when they reached annual lows at the end of a sharp drop compared to the figures at the beginning of the winter (from 28 down to 16-18 €/MWh).
Renegotiations of long-term contracts and falling oil prices, to which some of the volumes imported are still directly or indirectly connected, led to a significant decrease in "prices at the border" and to their gradual convergence with short-term ones: in June Platts' estimates indicate prices for imports into Europe of 22.5 €/MWh compared to prices at the hubs of 20.5-22 €/MWh. The Russian supplier Gazprom itself declared for the first quarter a average price for sales to Europe of 22.5-23 €/MWh and similar figures were confirmed by the reports of the European Commission.

Gas price trends on European wholesale markets



**Indicative figures based on RIE processing of World Gas Intelligence (Platts) estimates, European Commission, RIE database*

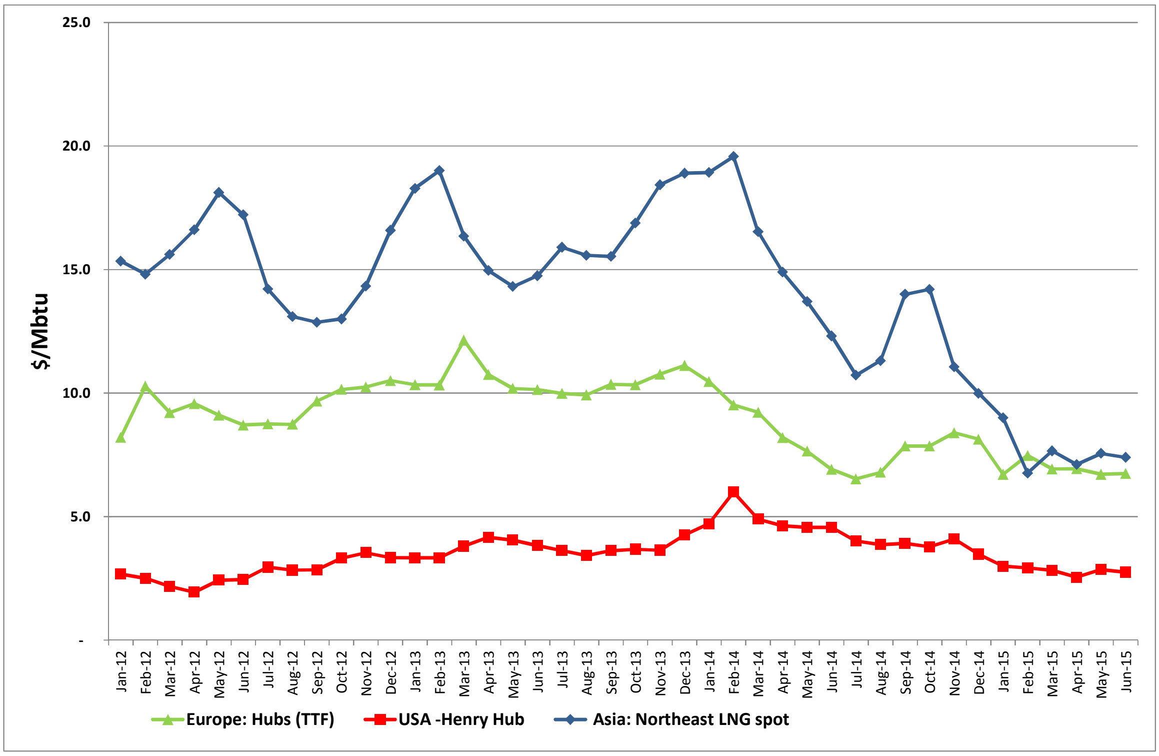
Note: the C_{MEM} prices were translated into Euro/MWh on the basis of a heating power of 38.52 Mj/m^3

Other Sources: RIE processing of European Gas Daily (Platts) and AEEGSI data

As regards the Italian context beside the aforementioned trends on the PSV, the balancing market (PB-Gas) was confirmed in the first half of the year as the only liquid market among those organised by the Energy Markets Manager (Gestore dei Mercati Energetici - GME). In the two segments that make it up (G+1 and G-1) in the first quarter volumes of approximately 1.5 bn m^3 were traded, with an average price of 23.6 €/MWh for the G+1 segment and 26.2 €/MWh for the G-1; while in the second quarter the volumes fell to 0.7 bn m^3 with prices of 22.75 and 22.32 €MWh respectively, in line with those of bilateral trades on the PSV (22.57 €/MWh).
The "CMEM component", meant to reflect the cost of procuring gas in the protected market price, defined by the AEEGSI on the basis of the TTF forward prices, in the first quarter was 28.8 c€/m^3 (26.9 €/MWh) and in the second 25.78 c€/m^3 (24.1 €/MWh).

In the markets of North-East Asia, after a series of factors changed the market fundamentals, starting from October 2014, for both short-term trades (less-than-expected demand and greater supply flows) and for long-term contracts (falling oil price), the prices of LNG continued on a downward trend. Spot prices, which in the first half of 2014 had stood on average at 16 $/MBtu, almost twice as much as in Europe, fell by a half coming down in the first quarter of 2015 at 7.8 $/MBtu and dropping further to 7.4 $/MBtu in the following three months compared with the roughly 6.8 of the Northern European hubs (+9%). The closing of the gap with European prices made netbacks obtainable from short-term LNG exports to Asia less attractive for producers encouraging the arrival of larger loads in Europe.
In the USA the prices recorded were slightly lower compared with the other market areas. In the half-year period on the Henry Hub, the main American market, the figures observed fell from 3.0 $/MBtu of January to the approximately 2.7 $/Mbtu of June (for an average of 2.8 $/Mbtu compared with the 4.90 $/MBtu of the same period of 2014).

Comparison between international natural gas prices



Source: RIE processing of Platts data

White Certificates (EECs)

At 31 December 2014 the operators registered in the Register of Energy Efficiency Certificates (EECs) numbered 1,166 (853 at 31 December 2013), of these 836 have requested and obtained the qualification of market operators (they were 580 a year earlier).
Since the beginning of the year around 1,880 thousand EECs have been traded on the GME market platform (-9.6% compared with the same period 2014) and 2,834 thousand EECs have been traded through bilateral contracts (-31% v. 1st half 2014). As regards trades on the market platform, the “type II” (primary energy savings through work to reduce gas consumption) was the most traded (55%) with an average price of 103.6 € while the average price in the first half of 2014 had been 119.4 € before falling to around 100 € at the end of the year. Six-monthly price for “type I” (electricity consumption reductions) of 103.9 € (120.1 € in the corresponding period of 2014) which accounted for 27% of trades.
In relation to bilateral trades “type II” accounted for 61% of volumes traded recording a price which rose from 45 € in January to 102.7 € in March and stayed between 101.2 and 104.5 € in the following months.

LEGISLATION FIRST HALF 2015

On 20 February the Cabinet approved the text of a Draft Law, known as "2015 Competition DL", aimed at removing regulatory obstacles to the opening of the markets and at promoting the development of competition. Chapter IV (Arts 19-21) contains the provision of the end of protected electricity and gas prices from 1 January 2018. To implement the cessation of the protection regimes it is stated that the Minister of Economic Development must issue a decree, after consulting the Authority for Electricity, Gas and Water. The parliamentary discussion procedure is in progress, with hearings of all stakeholders.

On 25 February the European Commission published a number of communications that took the name "Energy Union Package". Among these, Communication No. 80/2015 contains measures and proposals to be implemented in the next 5 years in the field of energy. Considered by many a document with contents still not wholly defined and a symptom of the difficulties in drawing up an effective European strategy, the Commission's Communication provides for measures to re-found and re-qualify the electricity market, greater transparency in gas supply contracts, substantial evolution of regional cooperation for a more integrated market, new rules to guarantee the procurement of electricity and gas (with particular attention to the security of gas supplies), more EU financing in favour of energy efficiency.

Gas

A **Ministerial Decree** of 6 February 2015 (OJ of 23 February) of the Ministry of Economic Development defined figures and general rules for the storage year 1 April 2015-31 March 2016. The MD confirmed at 500 bln m^3 the capacity, deriving from the reduction decided in 2012 of the strategic storage (today approx. 4.6 bln m^3), reserved for integrated regasification plants and storage services for industrial customers; the modulation capacity to be assigned as a priority to the civil market supply is quantified as 6.843 bln m^3, offered in modulation products with a profile variable on a seasonal basis. The capacity to be offered with a uniform profile for the other sectors (e.g. thermoelectric and industrial) is instead 1.122 bln m^3. The capacity is placed through auctions. As regards the profiling of outputs the MD reduced further the daily and monthly maximum output for November and December and increased that of January and February.

With **Resolution No. 49/2015/R/Gas** of 12 February 2015 *("Rules for the conferment of storage capacities for the thermal year of storage 2015-2016 and definition of the storage tariffs")* AEEGSI, as a consequence of the MD of 6 February, adopted rules regarding the methods of performing the procedures for allocating storage capacity: monthly procedures in sequential auctions, criteria for determining the reserve price for each auction, criteria for performing auctions, tariffs to be applied to the capacities conferred. At the end of June all the capacity was conferred.

With **Resolution No. 133/2015** of 26 March 2015 *("Economic conditions of the natural gas protection service starting from the thermal year 2015-2016")* the AEEGSI established the criteria for defining the protected gas prices for the thermal year 2015-2016. In brief the Regulatory Authority:

- maintains the reference to the gas prices on the Dutch hub TTF, considering the insufficient degree of development of liquidity of trading on the Italian hub PSV compared to the European standards;
- defines also for the protected price the movement downstream of the PSV, already laid down in Resolution No. 60/2015/R/Gas, of certain system charges (CVI, CV^{BL} and CV^{OS} components) now included in the cost component of procurement of raw materials (the "C_{MEM}"); the components "extracted" will be added to the QT transport tariff;
- establishes with minimum changes the new amounts of the component covering the costs of wholesale selling to retailers (the "CCR");
- as regards the thermal years after the two years 2015-2016, it puts off to a subsequent measure the definition of the methods for assessing the conditions needed to enable reference to national gas prices, also in consideration "*of the wider legislative and regulatory process in progress, aimed at the gradual revision of the price protections*" (see "Competition DL").

With **AEEGSI Resolution No. 271/2015/R/Com** of 4 June (“*Launch of proceeding for definition of the process of reforming the market mechanisms for the price protections for domestic customers and small enterprises in the sectors of electricity and natural gas - Protection 2.0”*) the Regulator set in motion a proceeding which should, by December 2015, define a roadmap for revising the mechanisms for gas and electricity price protection. In specifying the objective of the proceeding AEEGSI does not speak of going beyond protection, but of "gradual absorption of the existing supply contracts of the current price systems" and of moving on to "protection 2.0". The Regulator stresses that the roadmap does not interfere with the process of abrogating protected prices provided for from 2018 in the “Competition DL” currently being discussed in Parliament. The roadmap must define differentiated routes giving any priority to small enterprises in the electricity sector.

With **Consultation Document 275/2015/R/com** of 9 June 2015 (“*Criteria for determining and updating the remuneration rate of the invested capital for the infrastructural regulations of the electricity and gas sectors. Initial orientations”)* AEEGSI presented “initial orientations” aimed at “an ample revision” of the criteria for determining the WACC of regulated infrastructures in the electricity and gas sectors. One of the objectives is to assess the possibility of converging towards a common methodology and timing for calculating for all the infrastructures from 2016, by unifying the parameters used to determine the WACC with the exception of the specific ones of the single services. Among the most important proposed changes is that on the “free risk” component.
An estimate is not yet provided of the overall impact of the reform on the remuneration which presumably can be expected to be reduced.

Electricity

AEEGSI Resolution 29 January 2015 22/2015/R/efr
With this measure the Authority defined the price of placement on the market of green certificates for the year 2015, quantifying the annual average figure of the selling price of electricity, recorded in the year 2014, as 55.10 €/MWh. In view of the above, it follows that in the year 2015 the GSE will place on the market the GCs issued by the same at a price of 124.90 €/MWh.

AEEGSI Resolution 12 February 2015 45/2015/R/eel
With this measure the Authority defines the criteria for enabling the Italian market to take part in the European market coupling project with particular reference to the Italy-France, Italy-Austria and Italy-Slovenia borders.

Consultation document (CD) 163/2015/R/ eel “Electricity market. Revision of the rules on effective balancing” - published on 9 April 2015

With the CD in question the Authority consults all the electricity operators on new regulation proposals regarding the revision of the mechanism for calculating the balancing prices, currently governed by Arts 39 and 40 of Resolution No. 111/06. This CD was published by the Regulator after the judgement of the Council of State, No. 1532 of 20 March 2015, which annulled the previous regulatory rules contained in resolutions 342/2012/R/eel and 285/2013/R/eel which had introduced urgent measures on the subject of limiting dispatching expenses. The revision proposals illustrated in the CD are aimed at correcting the distortionary elements which, according to the AEEGSI, characterise the current mechanism for calculating the balancing prices, while awaiting the creation of a more ample and organic reform of the balancing rules which will be introduced by the Authority in the coming months, also for the purpose of ensuring full compatibility of the Italian regulatory framework with the rules of the future Balancing Network Code, which is expected to come into force in 2016. In the context of the current calculation scheme, the Authority believes that there are distortionary elements connected to the fact that the calculation of signs and balancing prices also takes into account offers accepted by Terna in the DSM for purposes other than the mere correction of balancing. In order to remove the said distortionary elements, the Regulator proposes that the determination of signs and balancing prices should consider exclusively offers accepted by Terna on the DSM for balancing purposes, or accepted for the sole purpose of correcting the overall balancing of the macro-zone. In particular, the proposal identified by the Authority provides for the adoption of measures aimed at excluding from the balancing calculation all offers accepted in the MSD related to services not directly attributable to balancing correction.

REMIT - Regulation on Wholesale Energy Market Integrity and Transparency, No. 1227/2011

On 7 January 2015 Execution Regulation (EU) No. 1348/2014 of the European Commission came into force, which identified the information related to wholesale energy products and to the fundamental data that the market operators are obliged to report to ACER, and the methods and timing for fulfilling this reporting obligation.

The objective of the Regulation is to establish shared rules at the European level for the integrity and transparency of the wholesale energy markets in order to prevent abusive practices. In particular, the REMIT introduces at the European level specific rules for wholesale energy market supervision aimed at:

- defining the abusive practices, in relation to market manipulation (or attempted manipulation) and insider trading;
- forbidding the above abusive practices in the wholesale energy markets (electricity and gas);
- identifying and countering cases of market manipulation (or attempted manipulation) and insider trading through a system for monitoring European energy markets;
- adopting the opportune initiatives for checking and controlling, stating that the national regulatory Authorities will have specific powers to investigate, enforce and sanction.

Italian Law No. 161/2014 (Article 22) conferred on the Authority all the investigatory powers provided for in the REMIT. In addition, in defining the general principles of the sanction rules, it conferred on the Authority also the power to impose fines, unless the action constitutes a crime.
Italian Law No. 161/2014 also provides for relations between the Authority and other Italian institutional subjects:

a. the Energy Markets Manager (Gestore dei Mercati Energetici - GME) and the National Transmission Grid Operator (Terna), with reference to the markets managed by them, in collaboration to carry out investigations related to cases of suspected breach of the REMIT;
b. the Italian Antitrust Authority, to coordinate the performance of investigations related to cases of suspected breach of the market manipulation and insider trading prohibitions;
c. Consob, to coordinate the performance of investigations related to cases of suspected breach of the insider trading prohibition.

SIGNIFICANT EVENTS OF THE PERIOD

Organisational Rationalisation Work

Starting from January 2015 the Iren Group companies were involved in a number of reorganisation projects that saw a strong commitment of the new Governance with the objective of strengthening the unitary nature of Group governance and identifying clearly the main activities and responsibilities related to each structure ensuring a rapid and real integration process, indispensable for tackling the challenges of the market.

Four Departments, called Business Units (BUs) were also set up, to coordinate and guide the Companies operating in the respective market sectors, reporting to the Parent Company's Chief Executive Officer. In particular these BUs will be:

- Environment Business Unit
- Energy Business Unit
- Market Business Unit
- Networks Business Unit

The Parent Company's organisation was involved in a first rationalisation project which, from January 2015, entailed a simplification of the head office departments.

In addition the hierarchical structure of all the Departments and staff organisational units of all the first level companies and subsidiaries, were defined in relation to the corresponding head office departments.

From February, through secondment, the resources coming from the Group's various first level companies and subsidiaries also joined Iren S.p.A., in keeping with the centralised activities.

Starting from March the organisation of the first-level companies was also redefined by Business Unit, defining the activities and responsibilities of the said companies' structures.

During June deeds of sale of the corporate staff business units of the subsidiaries to Iren S.p.A. were entered into, with effect from 1 July 2015. The resources coming from these companies therefore became part of the Parent's workforce.

Consequently the Iren Group is organised into the following staff Departments:

- “Corporate Secretariat, “Communication and External Relations”, “Local Institutional Relations” and “Internationalisation and Innovation” reporting to the Chairman;
- “Procurement and Contracts”, “Administration, Finance and Control”, “Legal Affairs”, “Personnel, Organisation and Information Systems” and “Strategy and Regulatory Affairs” reporting to the Chief Executive Officer;
- “Internal Audit and Compliance”, “Corporate Social Responsibility and Territorial Committees”, “Risk Management” and “Corporate Affairs” reporting to the Deputy Chairman.

IrenOne Project

From 2015 the new E.P.M. (Enterprise Performance Management) application system was activated. The fundamental characteristics of this system respond to the need to have at the Group level a single platform for consolidation, such as to guarantee the alignment of the civil law and management aspects, and of making the management analysis dimensions uniform in service of the Group's management.

Bank Loans

As regards financing transactions completed in the first half of 2015, we can note that new medium/long-term loans were finalised for a total of Euro 250 million. For further details see the chapter “Financial Operations” of the present report.

Merger by incorporation of Società Acque Potabili S.p.A. into Sviluppo Idrico S.p.A.

With reference to the operation for merger by incorporation of Acque Potabili S.p.A. into Sviluppo Idrico S.p.A., we must specify that on 20 January 2015 the merger by incorporation deed was signed, with civil-law effect from 1 February 2015, while for the accounting and tax effects retroactivity to 1 January 2015 is provided for. At the date of effectiveness of the merger, all the Acque Potabili ordinary shares were cancelled; the last day the stock was listed on the MTA market was 30 January 2015. With the same deed Sviluppo Idrico S.p.A. assumed the company name Acque Potabili S.p.A.

Robin Hood Tax Judgement

With Judgement 10/2015 of 9 February 2015 the Constitutional Court declared unconstitutional Art. 81 paragraphs 16, 17 and 18 of Italian Decree Law No 112 of 25 June 2008 converted with Italian Law No. 133 of 6 August 2008, which had introduced an IRES tax surcharge, the "Robin Hood Tax", payable by production, distribution and marketing companies operating in the energy and oil sectors. This unconstitutionality did not have retroactive effect, because it was established that the judgement would apply from the day after its publication in the Official Journal (11 February 2015).

Turin LED Project

During March the Turin LED Project, promoted by the City, was launched. This involves the installation, over two years, of more than 50,000 new LED lamps (on 55% of the total of lampposts in the city).
The Project was developed in partnership with Iren Servizi e Innovazione which, in the context of the existing agreement with the City of Turin, will handle the implementation, making available its know-how and its technical skills on the subject.
The Turin LED Project will enable the City to obtain important benefits on the economic front, halving the electricity consumption of the plants involved in the project.
At the energy and environmental level, once completed, the Project will enable a saving estimated at 20,000,000 kWh/year (with a reduction of electricity consumption of more than 50%), enabling the non-consumption of approximately 3600 TOEs (Tonnes of Oil Equivalent)/year, and avoiding, at the same time, the production of 3.5 tonnes/year of CO_2. In June 2015 the installation of the first 5,000 devices began.

Sale of business units of Acque Potabili S.p.A.

The Board of Directors of Acque Potabili S.p.A. resolved on 15 April 2015 to sell to Iren Acqua Gas S.p.A. the business unit, known as "Ramo Ligure" [Liguria Branch], related to the integrated water service in the Municipalities of Camogli, Rapallo, Coreglia Ligure and Zoagli in the Genoa ATO and in the Municipality of Bolano (La Spezia) and the equity investment held in the subsidiary Acquedotto di Savona S.p.A., representing the entire share capital of the same, and to sell to Società Metropolitana Acque Torino S.p.A. the business unit, known as "Ramo ATO 3 Torinese", [ATO 3 Turin Branch], related to the integrated water service in the ATO 3 of the Turin area.
The operations to transfer the Business Units described above, with effectiveness from 1 July 2015, pursue the aim of enabling the reorganisation of the activities, managed up to now by Acque Potabili S.p.A., by integrating them with the activities managed by its shareholders of reference permitting at the same time the start of a gradual enhancement of its portfolio of concessions.
Without prejudice to any adjustment of the price at the transfer date, the selling price of Ramo Ligure paid by Iren Acqua Gas S.p.A. to Acque Potabili S.p.A. at the date of effectiveness of the transfer of the business unit and of the 100% equity investment held in the company Acquedotto di Savona S.p.A., is approximately Euro 32.9 million, net of a financial debt of approximately Euro 14.6 million, while the selling price of Ramo ATO 3 Torinese, paid by Società Metropolitana Acque Torino S.p.A. to Acque Potabili S.p.A. on the same date, is approximately Euro 32.9 million, net of a financial debt of approximately Euro 14.6 million.

IREN S.p.A. Ordinary Shareholders' Meeting

On 28 April 2015 the Ordinary Shareholders' Meeting of Iren S.p.A. approved the Company's Financial Statements in relation to financial year 2014 and resolved to distribute a dividend of Euro 0.0523 per share, confirming what had been proposed by the Board of Directors.
The dividend of Euro 0.0523 for each ordinary and savings share was paid on 24 June 2015 (ex-dividend date 22 June 2015 and record date 23 June 2015).
With approval of the financial statements at 31 December 2014 the term of office of the Board of Statutory Auditors expired. For the three years 2015-2017 the Shareholders' Meeting therefore appointed, on the basis of the lists presented: three Standing Auditors in the persons of: Emilio Gatto, Annamaria Fellegara and Michele Rutigliano, electing this last Chairman of the Board of Statutory

Auditors; two Supplementary Auditors in the persons of Giordano Mingori and Giorgio Mosci. The Board of Statutory Auditors will remain in office up to the date of approval of the financial statements for the year ending 31 December 2017.
The Shareholders' Meeting of IREN S.p.A. also resolved to appoint Vito Massimiliano Bianco as Director following the co-option under the terms of Art. 2386 of the Italian Civil Code that occurred on 1 December 2014. Vito Massimiliano Bianco will remain in office up to the date of approval of the financial statements for financial year 2015, the expiry date of the current Board of Directors.

Company officers

The Board of Directors of Iren S.p.A., meeting on 28 April 2015, at the end of the work of the said Shareholders' Meeting, confirmed Vito Massimiliano Bianco as Chief Executive Officer of the multi-utility.
On 30 April 2015 Andrea Viero formalised his resignation with immediate effect from the positions of Director of IREN S.p.A. and, consequently, from the role of Deputy Chairman of the Company.
On 4 June 2015 the Board of Directors of IREN S.p.A. appointed Ettore Rocchi as Deputy Chairman of the company, to replace Andrea Viero.
In addition, to make up its numbers, the Board of Directors of IREN S.p.A., under the terms and for the purposes of Art. 2386 of the Italian Civil Code, co-opted Moris Ferretti who is in possession of the requisites of independence.
The Board of Directors of IREN S.p.A. acknowledged that as a consequence of the attribution of the position of Deputy Chairman to Professor Rocchi, the same no longer has the requisites of independence of which he was in possession at the moment of his appointment as a Director. The Board of Directors therefore appointed Moris Ferretti to replace him as a member of the Remuneration and Appointments Committee.

Business Plan to 2020

On 17 June 2015 the Board of Directors of IREN S.p.A. approved the Iren Group's 2015-2020 Business Plan.
The Business Plan to 2020 represents the “bridge” towards the new IREN which, through continual innovation, rationalisation and increased efficiency of internal processes, selectivity of investments for profitability and attention to customers' new needs aims at becoming an aggregation hub and driver of development in the areas in which it operates.
The strategic guidelines of the business plan are:

- integration and efficiency aimed at obtaining important synergies;
- centrality of Customers who from being users become protagonists of the service, through digital and innovative communication and customer care systems;
- transversal innovation understood not as a stand-alone element, but as a mindset that permeates all the Group’s life and actions;
- sustainable development in environmental and financial terms which will translate into the choice of investments with high added value for the Group and the territory.

The Business Plan, over its time horizon, provides for a significant increase in EBITDA (more than 34%).
The cumulative investments are quantified at approximately Euro 1.8 billion, of which Euro 630 million in development. Out of the total investments, Euro 450 million will be devoted to projects with innovative technological characteristics.
A significant decrease in indebtedness is foreseen; together with growth in EBITDA this will lead at the end of the plan period to a drastic reduction (approximately 38%) in the Net Financial Indebtedness/EBITDA Ratio.

FINANCIAL POSITION, RESULT OF OPERATIONS AND CASH FLOWS OF THE IREN GROUP

INCOME STATEMENT

IREN GROUP CONSOLIDATED INCOME STATEMENT

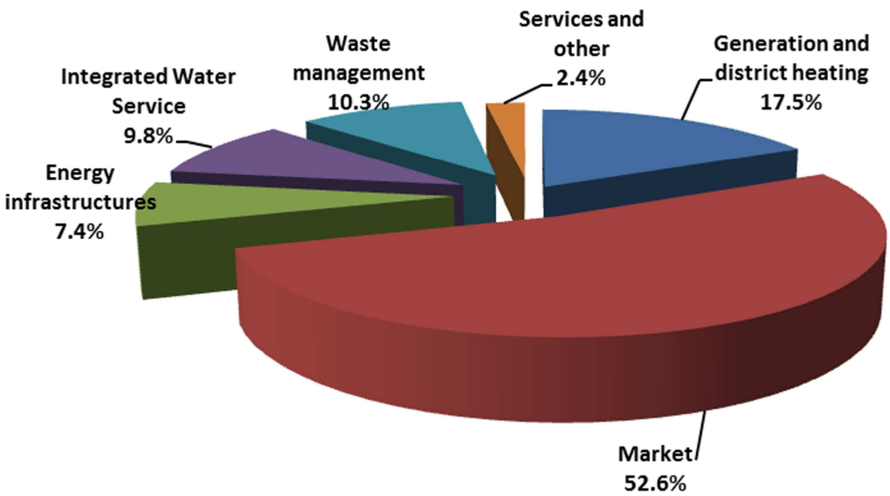
	First half 2015	First half 2014	% change
Revenue			
Revenue from goods and services	1,442,412	1,364,131	5.7
Change in work in progress	(74)	136	(*)
Other revenue and income	137,035	157,222	(12.8)
- of which non-recurring	-	*21,044*	
Total revenue	**1,579,373**	**1,521,489**	**3.8**
Operating expense			
Raw materials, consumables, supplies and goods	(535,399)	(573,500)	(6.6)
Services and use of third-party assets	(454,416)	(409,935)	10.9
Other operating expenses	(38,995)	(37,446)	4.1
Capitalised expenses for internal work	10,583	9,879	7.1
Personnel expense	(183,041)	(139,951)	30.8
Total operating expense	**(1,201,268)**	**(1,150,953)**	**4.4**
GROSS OPERATING PROFIT (EBITDA)	**378,105**	**370,536**	**2.0**
Depreciation, amortisation, provisions and impairment losses			
Amortisation/depreciation	(130,937)	(118,406)	10.6
Provisions and impairment losses	(30,514)	(23,241)	31.3
Total amortisation, depreciation, provisions and impairment losses	**(161,451)**	**(141,647)**	**14.0**
OPERATING PROFIT (EBIT)	**216,654**	**228,889**	**(5.3)**
Financial income and expense			
Financial income	16,090	14,580	10.4
Financial expense	(54,747)	(64,499)	(15.1)
Total financial income and expense	**(38,657)**	**(49,919)**	**(22.6)**
Share of profit of associates accounted for using the equity method	4,793	(11,189)	(*)
Impairment losses on investments	-	(20)	(100.0)
Profit/(loss) before tax	**182,790**	**167,761**	**9.0**
Income tax expense	(67,918)	(81,058)	(16.2)
Net profit/(loss) from continuing operations	**114,872**	**86,703**	**32.5**
Net profit/(loss) from discontinued operations	-	-	-
Net profit/(loss) for the period	**114,872**	**86,703**	**32.5**
attributable to:			
- Profit (loss) – Group	102,559	76,958	33.3
- Profit (loss) - controlling interests	12,313	9,745	26.4

(*) Change of more than 100%

Revenue

At 30 June 2015, the Iren Group achieved revenue of Euro 1,579.4 million, up by 3.8% compared to the Euro 1,521.5 million of the first half of 2014. The increase in revenues was mainly generated by the positive contribution of Environment which consolidated (economic consolidated) from 1 January 2015 AMIAT SpA (+ Euro 103 million), the Turin waste collection company, while the changes in the turnovers of the energy sectors are still negative.

REVENUE COMPOSITION



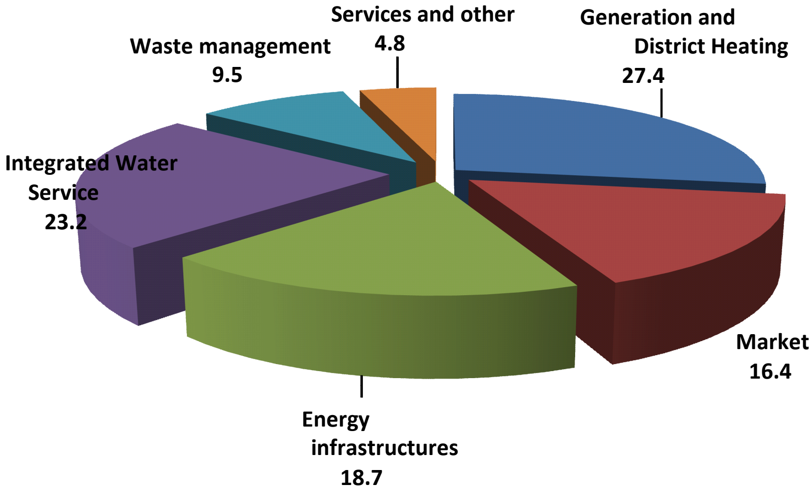
Gross Operating Profit (EBITDA)

The gross operating profit amounted to Euro 378.1 million, up by 2% compared to Euro 370.5 million in the corresponding period of 2014.

Despite the reduction in revenue described above, all business segments present a positive change compared to 2014 with the sole exceptions of Cogeneration of Power and Heat, and Gas Distribution.

Particularly positive were the business areas of Gas Sales, owing to the higher quantities sold and the recovery of margins on the same, Waste Management which benefits from the contribution of AMIAT SpA (Euro 11.6 million), not consolidated from the economic point of view in 2014.

EBITDA COMPOSITION



Operating profit (loss)

Operating profit totalled Euro 216.7 million, 5.3% down from Euro 228.9 million of 2014. The result reflects amortisation/depreciation higher by Euro 13 million euro and provisions higher by Euro 8 million.

Financial income and expense

Net financial income and expense came out at a negative Euro 39 million. In particular, financial expense amounted to Euro 55 million. The change compared to the first half of 2014 was mainly due to the reduction in the average cost of the debt and of the expense components from discounting and capitalised interest. Financial income amounted to Euro 16 million (+10%).

Share of profit of associates recognised using the equity method

The result of associates accounted for using the equity method was a positive Euro 4.8 million. The comparative figure showed a negative result of approximately 11 million; the change was substantially due to the lower loss of OLT in the first half of 2015 compared to what was recognised in the same period of 2014.

We can note that the result of associates in the first half of 2014 included the pro-rata 49% of the profit of AMIAT S.p.A., fully consolidated starting from December 2014.

Profit (loss) before tax

As a result of the above trends the consolidated profit before tax came out at Euro 182.8 million, up on the Euro 167.8 million recorded in the first half of 2014.

Income tax expense

Income taxes for the first six months of 2015 amounted to Euro 68 million, down by 16% compared to same period of 2014. The effective tax rate was 37% and represents, as of today, an estimate of the proportion of the cost of taxes of 2015. The decrease in the tax rate was mainly due to the deduction in labour costs from IRAP and to the abolition of the Robin Hood tax (considered unconstitutional by the Constitutional Court with Judgement No. 10/2015 of 9 February 2015).

Net profit (loss) for the period

As a consequence of the above, there was a net profit of Euro 114.9 million, a sharp increase compared to the same period of 2014 (+32.5%).

Segment reporting

The Iren Group operates in the following business segments:

- Generation and District Heating (Hydroelectric Production, Cogeneration of Electrical Energy and Heat, District Heating Networks)
- Market (Sale of electricity, gas, heat)
- Energy Infrastructures (Electricity Distribution Networks, Gas Distribution Networks)
- Integrated Water Service (sale and distribution of water, water treatment and sewerage)
- Waste Management (Waste collection and disposal)
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.

For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.

Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.

Net invested capital compared to the figures at 31.12.2014 and income statements (up to the operating performance) are presented below by business segment and include a comparison with the figures for the 1st half of 2014.

Business segment results at 30 June 2015

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Environment	Other services	Non-allocable	Total
Non-current assets	1,941	58	881	1,016	401	23	262	4,582
Net working capital	65	12	(71)	143	9	16	-	173
Other non-current assets and liabilities	(93)	30	(64)	(308)	(103)	(25)	-	(563)
Net invested capital (NIC)	**1,912**	**101**	**746**	**850**	**307**	**13**	**262**	**4,192**
Shareholders' equity								2,037
Net financial position								2,155
Own funds and net financial indebtedness								**4,192**

Business segment results at 31 December 2014

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Environment	Other services	Non-allocable	Total
Non-current assets	1,998	66	870	985	420	27	253	4,619
Net working capital	107	18	(71)	120	58	(3)	8	238
Other non-current assets and liabilities	(101)	30	(58)	(311)	(109)	(18)	(11)	(578)
Net invested capital (NIC)	**2,004**	**114**	**741**	**795**	**368**	**6**	**250**	**4,279**
Shareholders' equity								1,994
Net financial position								2,286
Own funds and net financial indebtedness								**4,279**

Business segment results at 30 June 2015

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Environment	Other services	Netting and adjustments	Total
Total revenue and income	398	1,199	169	223	234	55	(698)	1,579
Total operating expense	(295)	(1,137)	(98)	(136)	(198)	(36)	698	(1,201)
Gross Operating Profit (EBITDA)	**103**	**62**	**71**	**88**	**36**	**18**	-	**378**
Net am./depr., provisions and impairment losses	(66)	(16)	(21)	(33)	(24)	(1)		(161)
Operating profit (EBIT)	**38**	**46**	**49**	**54**	**12**	**17**	-	**217**

Business segment results at 30 June 2014

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Environment	Other services	Netting and adjustments	Total
Total revenue and income	463	1,299	161	222	115	59	(797)	1,521
Total operating expense	(345)	(1,251)	(91)	(138)	(88)	(36)	797	(1,151)
Gross Operating Profit (EBITDA)	**118**	**48**	**71**	**84**	**28**	**23**	-	**371**
Net am./depr., provisions and impairment losses	(45)	(20)	(21)	(35)	(17)	(3)		(142)
Operating profit (EBIT)	**72**	**28**	**49**	**49**	**11**	**20**	-	**229**

Generation and District Heating

Revenue for the period amounted to Euro 398 million, down 14% from the Euro 463 million of 2014.

			First half 2015	First half 2014	Δ %
Revenue		€/mn	398	463	-14.0%
Gross Operating Profit (EBITDA)		€/mn	103	118	-12.0%
EBITDA Margin			*26.0%*	*25.4%*	
Operating profit (EBIT)		€/mn	38	72	-47.7%
Investments		€/mn	9	30	-69.7%
Electricity produced		GWh	3,577	3,324	7.6%
	from hydroelectric sources	*GWh*	767	685	11.9%
	from cogeneration sources	*GWh*	2,475	2,293	7.9%
	from thermoelectric sources	*GWh*	335	345	-2.8%
Heat produced		GWh_t	1,532	1,494	2.6%
	from cogeneration sources	GWh_t	1,333	1,317	1.2%
	from non-cogeneration sources	GWh_t	199	177	12.4%
District heating volumes		Mm^3	81	79	2.7%

At 30 June 2015 3,577 GWh of electricity was produced, up by 7.6% compared to the 3,324 GWh of financial year 2014, as a result of higher production in cogeneration and higher hydroelectric production, partially offset by lower thermoelectric production at the Turbigo plant.

In particular thermoelectric production was 2,810 GWh, of which 2,475 GWh from cogeneration, up by 7.9% compared to the 2,293 GWh of 2014 (+91.7 GWh), and 335 GWh from thermoelectric sources in the strict sense, connected with the contribution of the Turbigo plant down by 2.8% compared to the 345 GWh of the first six months of 2014 (-9.5 GWh).
Hydroelectric production was 767 GWh, an increase of +11.9% compared to 685 GWh in 2014 owing mainly to the higher production at Rosone (+97 GWh).

Heat production in the period amounted to 1,532 GWh_t up by +2.6 % compared to the 1,494 GWh_t of 2014 (+38.2 GWh_t), as a result of a more favourable thermal season compared to the 2014 thermal season which was particularly mild and the increase in volumes connected. Overall the volumes connected amount to 80.3 million m^3.

Gross operating profit (EBITDA) amounted to Euro 103 million, down 12% on the Euro 118 million of the corresponding period of 2014.
The more favourable winter thermal season compared to the particularly mild one that had characterised 2014, had a positive effect on the profit owing to the higher quantities of thermal energy produced and this, together with higher hydroelectric production, made it possible to absorb partially the sharp drop deriving from the expiry of the incentive system, through green certificates on cogeneration plants and the reduction of margins on electricity generation. The first half of 2014 was also characterised by significant contingent assets connected with the assignment of ETS certificates related to earlier years.

The operating profit (EBIT) of the Cogeneration and District Heating segment totalled Euro 38 million, a 47.7% decrease on the 2014 figure of Euro 72 million. The worsening compared to 2014 was due to higher depreciation owing to capitalisations of investments on plants made in the second half of 2014 and to the negative effect of the release of provisions owing to cessation of the related risk that had characterised the first half of 2014.
Technical investments made in this sector amounted to Euro 9 million, and regarded for Euro 7 million cogeneration and district heating and for approximately Euro 2 million the hydroelectric segment.

Market

At 30 June 2015 the revenue of the segment amounted to Euro 1,199 million, down 7.7% from the Euro 1,299 million of 2014.
The gross operating profit (EBITDA) amounted to Euro 62 million, an improvement of +29.0% compared to Euro 48 million in the corresponding period of 2014.

		First half 2015	First half 2014	Δ %
Revenue	€/mn	1,199	1,299	-7.7%
Gross Operating Profit (EBITDA)	€/mn	62	48	29.0%
EBITDA Margin		*5.2%*	*3.7%*	
from electricity	*€/mn*	13	12	11.8%
from gas	*€/mn*	47	35	34.2%
from heat	*€/mn*	3	2	39.0%
Operating profit (EBIT)	€/mn	46	28	66.2%
Investments		7	5	31.1%
Electricity sold	GWh	5,724	5,755	-0.5%
Electricity sold net of Power Exchange purchases/sales	GWh	5,404	5,095	6.1%
Gas purchased	Mm^3	1,356	1,242	9.2%
Gas sold by the Group	Mm^3	636	558	14.0%
Gas for internal use	Mm^3	618	601	3.0%
Gas in storage	Mm^3	102	84	21.5%

Sale of electricity
The volumes of electricity sold amounted to 5,724 GWh (net of pumping, network leaks and dedicated withdrawals) down by -0.5% compared to the 5,755 GWh of 2014.

The volumes sold on the free market, including the segments of free business and free retail customers, wholesalers and net exchange, amounted to a total of 5,084 GWh up +7.8% compared to the 4,717 GWh of 2014. The increase is attributable mainly to the net exchange sale +38.6% at 2,927 Gwh compared to the 2,112 GWh of 2014 and the free retail customer segment which showed an increase of + 8.1 % to 607 GWh compared to the 561 GWh of 2014 . Sales to free business customers were down by -30.3 % at 830 GWh compared to the 1,190 GWh of 2014 as were sales to wholesalers, by -15.7% at 721 GWh compared to the 854 GWh of 2014.

The volumes sold on the protected market were 320 GWh down by -15.3% compared to the 378 GWh of 2014.

The gross operating profit (EBITDA) of the sale of electricity amounted to Euro 13 million, up by +11.8% compared to Euro 12 million in the corresponding period of 2014. The increase is attributable to the positive effect of the electricity procurement activities.

Sale of Natural Gas
The volumes sold amounted to 1,356 million m^3 up by +9.2% compared to the 1,242 million m^3 of 2014. The increase regarded both gas sold, +14% at 636 million m^3 compared to the 558 million m^3 of the first half of 2014, and internal consumption, +3% at 618 million m^3 compared to the 601 million m^3 of the corresponding period of 2014.
The gross operating profit (EBITDA) of the sector amounted to Euro 47 million, a sharp improvement (+34.2%) compared to Euro 35 million in the corresponding period of 2014. This positive change can be attributed to an improvement in the margins on sales and in the procurement conditions as well as the

higher volumes sold owing to a more favourable thermal season compared to the particularly mild one that had characterised in particular the first quarter of 2014.

Sale of heat energy through district heating networks:

The gross operating profit of the period amounted to Euro 3 million, an improvement compared to Euro 2 million in the corresponding period of 2014.

Energy infrastructures

At 30 June 2015 the Energy Infrastructures segment, which includes the gas and electricity distribution businesses, recorded revenue of Euro 169 million, up on the Euro 161 million of 2014 (+4.6%).

Gross operating profit (EBITDA) amounted to Euro 71 million substantially in line with the Euro 71 million of 2014 (+0.4%).

Net operating profit (EBIT) amounted to Euro 49 million, substantially unchanged from the Euro 49 million of 2014 (+0.8%).

The main changes in the segments concerned are illustrated below.

			1st half 2015	**1st half 2014**	**Δ %**
Revenue		€/mn	169	161	4.6%
Gross Operating Profit (EBITDA)		€/mn	71	71	0.4%
EBITDA Margin			*42.0%*	*43.8%*	
	from electricity networks	*€/mn*	*37*	*33*	*11.2%*
	from gas networks	*€/mn*	*34*	*37*	*-9.2%*
Operating profit (EBIT)		€/mn	49	49	0.8%
Investments		€/mn	28	29	-3.0%
	in electricity networks	*€/mn*	*13*	*12*	*7.8%*
	in gas networks	*€/mn*	*16*	*17*	*-10.2%*
Electricity distributed		GWh	1,887	1,915	-1.5%
Gas distributed		Mm^3	720	661	8.9%

Electricity Distribution Networks

Gross operating profit amounted to Euro 37 million, up 11.2% on the Euro 33 million of the first half of 2014.
The increase of approximately Euro 4 million compared to 2014 is attributable to adjustments on earlier periods related to equalisation mechanisms and to valuation of energy efficiency certificates.

During the 1st half of 2015 investments of Euro 13 million (of which Euro 10 million related to the Turin electricity networks and Euro 3 million related to the Parma electricity networks) were made, mainly involving new connections, the construction of new LV/MV cabins and LV/MV lines.

Gas Distribution Networks

Gross operating profit of gas distribution networks amounted to Euro 34 million, down 9.2% from the Euro 37 million of the corresponding period of 2014. The negative change can be attributed to lower core-business revenue, higher operating costs also for managing customers in default and a lower margin on energy efficiency certificates.

Investments made in the period amounted to Euro 16 million and regarded the provisions of AEEG resolutions, in particular making the network compliant with cathodic protection, the installation of electronic meters and replacement of grey cast iron pipes.

Integrated Water Service

At 30 June 2015, the Integrated Water Service achieved revenue of Euro 223 million, up by +0.8% compared to the Euro 222 million of the corresponding period of 2014.
The increase in revenue compared to the previous year was due to tariff increases, to higher revenue related to the application of IFRIC 12 related to investments in the period on third-party assets offset by lower contingent assets and Other income.

		First half 2015	First half 2014	Δ %
Revenue	€/mn	223	222	0.8%
Gross Operating Profit (EBITDA)	€/mn	88	84	4.8%
EBITDA Margin		*39.2%*	*37.7%*	
Operating profit (EBIT)	€/mn	54	49	11.5%
Investments	€/mn	36	25	41.6%
Water sold	Mm^3	71	72	-0.9%

Gross operating profit for the period amounted to Euro 88 million, up +4.8% on the Euro 84 million of the first half of 2014. The increase was due to tariff increases, lower operating costs, and to the cost of the electricity used in the delivery and treatment plants.

Operating profit amounted to Euro 54 million, an improvement compared to the Euro 49 million recorded in 2014 (+11.5%).
Besides the trend of gross operating profit there was a positive effect on the increase of lower provisions set aside, owing mainly to release of the remaining provisions related to the return of the treatment portion following Judgement 335/08, partially offset by higher amortisation/depreciation.

Investments in the first half of 2015 totalled Euro 36 million and concerned the construction, development and maintenance of distribution networks and systems, the sewerage network and in particular water treatment plants.

Waste Management

At 30 June 2015 the turnover of the segment amounted to Euro 234 million up compared to the Euro 115 million of the same period of 2014 principally as a result of the entry into the consolidation scope (income statement) of AMIAT SpA from 1 January 2015 (Euro +104 million) which provides the waste collection service for the City of Turin. In addition there was increased revenue for the environmental health services and commercial revenue, while the energy revenue of Parma PAI and Tecnoborgo waste-to-energy plants fell slightly.

			First half 2015	First half 2014	Δ %
Revenue		€/mn	234	115	(*)
Gross Operating Profit (EBITDA)		€/mn	36	28	28.7%
EBITDA Margin			*15.4%*	*24.1%*	
Operating profit (EBIT)		€/mn	12	11	11.0%
Investments		€/mn	6	12	-46.8%
Waste collected		tons	606,104	355,971	70.3%
Waste disposed of		*tons*	*391,382*	*300,970*	*30.0%*
	Urban waste	*tons*	*132,396*	*137,201*	*-3.5%*
	Special waste	*tons*	*258,986*	*163,769*	*58.1%*
Separated waste collection			66.6%	63.4%	*5.1%*

(*) Change of more than 100%

Gross operating profit of the segment amounted to Euro 36 million, up +28.7% on the Euro 28 million of the first half of 2014. The increase was mainly due to the consolidation of AMIAT and the recovery of margins on commercial and intermediation activities in part offset by higher disposal costs owing to greater use of hubs external to the group.

The operating profit was Euro 12 million, up +11% compared to the Euro 11 million recorded in 2014. The period was affected by higher provisions and amortisation/depreciation of the disposal area and higher amortisation/depreciation related to AMIAT, only partially offset by lower provisions for impairment of receivables as a result of the effect of the transition from environmental health tariff to environmental health price due from the municipal authorities that apply the rubbish tax.
The investments made in the period amounted to Euro 6 million and refer to investments for maintenance of the various plants and investments in equipment and vehicles supporting waste collection with the door-to-door and separated method.

Services and other

		First half 2015	First half 2014	Δ %
Revenue	€/mn	55	59	-7.0%
Gross Operating Profit (EBITDA)	€/mn	18	23	-20.0%
EBITDA Margin		*33.5%*	*38.9%*	
Operating profit (EBIT)	€/mn	17	20	-15.8%
Investments	€/mn	10	8	30.0%

(*) Change of more than 100%

At 30 June 2015 revenue was Euro 55 million, down compared to the Euro 59 million recorded in 2014. The negative change was due to accounting in 2014 for the capital gain generated by the second tranche of sale of units of the real estate fund set up in 2012 partially absorbed by the contingency for adjustment of estimates related to expenses for electricity transport in previous years (2004-2010). This event was reflected also in the gross operating profit which amounted to Euro 17 million compared to the Euro 20 million of 2014.
Investments in the period amounted to Euro 10 million and related to information systems, telecommunications and facilities.

STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

thousands of euro

	30.06.2015	31.12.2014	% change
Non-current assets	4,582,295	4,618,669	(0.8)
Other non-current assets (liabilities)	(146,884)	(153,619)	(4.4)
Net working capital	172,807	238,448	(27.5)
Deferred tax assets (liabilities)	118,404	115,336	2.7
Provisions for risks and employee benefits	(540,149)	(550,363)	(1.9)
Assets (Liabilities) held for sale	5,443	10,762	(49.4)
Net invested capital	**4,191,916**	**4,279,233**	**(2.0)**
Shareholders' equity	2,036,887	1,993,549	2.2
Non-current financial assets	*(64,350)*	*(66,439)*	*(3.1)*
Non-current financial indebtedness	*2,365,276*	*2,210,821*	*7.0*
Non-current net financial indebtedness	2,300,926	2,144,382	7.3
Current financial assets	*(575,604)*	*(522,902)*	*10.1*
Current financial indebtedness	*429,707*	*664,204*	*(35.3)*
Current net financial indebtedness	(145,897)	141,302	(*)
Net financial indebtedness	2,155,029	2,285,684	(5.7)
Own funds and net financial indebtedness	**4,191,916**	**4,279,233**	**(2.0)**

(*) Change of more than 100%

The main changes in the statement of financial position at 30 June 2015 are commented on below.
Non-current assets decreased slightly compared to 31 December 2014 owing to amortisation/depreciation for the period, higher than the investments made. For further details on investments, see the section "Segment Reporting".
The decrease in Net Working Capital (-27.5%) was the combined effect of the seasonal trend in trade receivables and payables and tax items. We can note in this regard that starting from 1 January 2015 part of the trade receivable from the Municipality of Turin of the subsidiary AMIAT S.p.A. is recognised under short-term financial receivables, following the signing of the current account agreement with the said Municipality. The receivable in question amounted to Euro 80.6 million at 30 June 2015.
Deferred taxes were substantially in line with the amount at 31 December 2014.
The increase in Equity derives substantially from the effect of profit for the period, net of dividends distributed.
The cash flow statement presented below provides an analytical breakdown of the reasons for the changes in the first half of 2015.

STATEMENT OF CASH FLOWS

The following table shows the change in the Group's consolidated net financial indebtedness in the relevant periods.

thousands of euro

	First half 2015	First half 2014	% change
A. Opening cash and cash equivalents	**51,601**	**50,221**	**2.7**
Cash flows from operating activities			
Profit (loss) for the period	114,872	86,703	32.5
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	130,937	118,406	10.6
Capital gains (losses) and other changes in equity	3,895	(25,136)	(*)
Net change in post-employment benefits and other employee benefits	(2,452)	382	(*)
Net change in provision for risks and other charges	(4,211)	(2,274)	85.2
Change in deferred tax assets and liabilities	(4,948)	(4,383)	12.9
Change in other non-current assets and liabilities	(6,735)	13,351	(*)
Dividends accounted for net of adjustments	(1,230)	(1,030)	19.4
Share of profit (loss) of associates and joint ventures	(4,793)	11,189	(*)
Net impairment losses (reversals of impairment losses) on assets	220	706	(68.8)
B. Cash flows from operating activities before changes in NWC	**225,555**	**197,914**	**14.0**
Change in inventories	(5,691)	25,051	(*)
Change in trade receivables	119,186	129,874	(8.2)
Change in tax assets and other current assets	72,818	(23,421)	(*)
Change in trade payables	(160,384)	(240,377)	(33.3)
Change in tax liabilities and other current liabilities	39,712	63,689	(37.6)
C. Cash flows from changes in NWC	**65,641**	**(45,184)**	**(*)**
D. Cash flows from/(used in) operating activities (B+C)	**291,196**	**152,730**	**90.7**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(96,316)	(109,420)	(12.0)
Investments in financial assets	(1,355)	(47,290)	(97.1)
Proceeds from the sale of investments and changes in assets held for sale	4,547	23,840	(80.9)
Dividends received	7,260	6,886	5.4
E. Total cash flows from/(used in) investing activities	**(85,864)**	**(125,984)**	**(31.8)**
F. Free cash flow (D+E)	**205,332**	**26,746**	**(*)**
Cash flows from/(used in) financing activities			
Dividends paid	(81,417)	(73,641)	10.6
New non-current loans	250,000	150,000	66.7
Repayment of non-current loans	(111,812)	(263,262)	(57.5)
Change in financial liabilities	(211,490)	224,540	(*)
Change in financial assets	(72,757)	(87,894)	(17.2)
G. Total cash flows from (used in) financing activities	**(227,476)**	**(50,257)**	**(*)**
H. Cash flows for the period (F+G)	**(22,144)**	**(23,511)**	**(5.8)**
I. Closing cash and cash equivalents (A+H)	**29,457**	**26,710**	**10.3**

(*) Change of more than 100%

The following table shows the change in the Group's consolidated net financial indebtedness for the relevant periods.

thousands of euro

	First half 2015	First half 2014	% change
Free cash flow	205,332	26,746	(*)
Dividends paid	(81,417)	(73,641)	10.6
Change in fair value of hedging derivatives	6,740	(3,098)	(*)
Change in net financial position	**130,655**	**(49,993)**	**(*)**

(*) Change of more than 100%

Net financial indebtedness at 30 June 2015 amounted to Euro 2,155 million, down 5.7% compared to 31 December 2014.

In particular, the free cash flow, a positive Euro 205 million, derives from the combined effect of the following cash flows:

– cash flows from operating activities were positive by Euro 291 million and consist of Euro 225 million cash flows from operating activities before changes in net working capital and Euro 66 million cash flows deriving from changes in net working capital;

– the cash flow from investing activities, a negative Euro 86 million and down compared to the first half of 2014, was generated by the combined effect of investments in property, plant and equipment, and intangible and financial fixed assets for Euro 98 million (including investments made for the construction of infrastructures in a concession arrangement according to the provisions of IFRIC 12), of the realisation of fixed assets for Euro 5 million and dividends received by the associates (mainly Plurigas) for a total of Euro 7 million.

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

SIGNIFICANT SUBSEQUENT EVENTS

IrenOne Programme

On 1 July 2015 the Iren Group began the gradual introduction of a single ERP treasury management system enabling the adoption of the new centralised treasury model managed by Iren S.p.A. The above, as well as the already launched use of a single EPM system for the statutory and operational consolidation stages, is a fundamental step in the implementation of the IrenOne Programme, which will be completed with the adoption by the Group Companies of a single ERP, EPM and centralised treasury model from 1 January 2016.

Organisational Rationalisation

From 1 July 2015, on completion of the macro-structure rationalisation process launched, the "Legal Affairs ", "Regulatory Affairs" and "Planning and Control" units of the first-level subsidiaries were also centralised in the Parent Iren S.p.A. and the sales of the business units of the "corporate staff" functions by the subsidiaries became effective.
In addition, in keeping with the Business Plan approved in June by the Board of Directors:

- the Energy Business Unit will coordinate also the district heating and energy plant areas as of today in Iren Emilia S.p.A.;
- the Market Business Unit will coordinate also the Commercial Services Organisational Unit as of today in Iren Emilia and the Call Center as of today in Iren Servizi e Innovazione;
- the Networks Business Unit will coordinate also the electricity distribution areas (AEM Torino Distribuzione), public street lighting and traffic light services (as of today in Iren Servizi e Innovazione).

Rationalisation of equity investments

In accordance with what was stated in organisational terms, on 28 July the Board of Directors of IREN S.p.A. approved, in keeping with the simplification of the business model defined in the Business Plan, the launch of an operational project to rationalise the Group's corporate structure.
The project, which will be completed by the end of the coming December, provides for centralisation of the wholly-controlled companies with a significant reduction in the number of companies. This project will lead to a reduction in operating costs and greater clarity in the responsibility for results and in achieving the objectives, besides being a determining factor in the Group's integration process.
The Group will be organised in Business Units (Energy, Market, Networks, Environment) and the operating activity will be carried out by the four companies resulting from the reorganisation process.
In particular, a single company will be set up to manage the network services (electricity distribution, gas distribution and integrated water service), which will be an important hub for achieving synergies and for the development of innovative projects in the management of infrastructures in service of the territories.

BUSINESS OUTLOOK

The forecasts for the macroeconomic scenario in the second half of 2015 are characterised mainly by an easing of the financial tensions after the agreement between the European Institutions and Greece and by maintenance of the 'interventionist' line by the ECB through Quantitative Easing.
As regards specifically the Italian economic trend the above elements, in combination with the low cost of commodities and the support for investments associated with an improving financial situation, are giving support to the recovery which sees GDP growing by about 0.7% in 2015 which, although limited, represents a turnaround compared to last year.

As far as the energy scenario is concerned, the electrical sector is continuing to experience a persistent situation of overcapacity. This together with the weakness of demand will determine downward pressure on energy prices and generation margins. This negative trend was temporarily interrupted in July, which owing to particularly high temperatures, saw demand and price spikes significantly higher than the average for the year.
In the gas sector a recovery of residential consumption is expected. This is associated with the normalisation of the thermal trend (which penalised demand in 2014 as a result of exceptionally mild weather) and the further development of the national spot market for gas the prices of which in 2015 are expected to be in substantial continuity with the previous year.
As regards regulated sectors in 2015 no substantial changes to the regulatory scheme are expected. The Group therefore expects to seize the development opportunities associated with the important investments made and to grow mainly in the environmental sector in the territories of reference as confirmed by the results for the first half of the year.
This past 17 June the Iren Group presented the new business plan which besides is focused on achieving important synergies deriving from the new Organisational Structure, from a significant corporate rationalisation plan and from a series of organisational projects aimed at operating efficiency.
Therefore the Group's objectives are to maintain profitability levels at least in line with the previous year, and to implement a selective approach on investment decisions aimed at rigorous monitoring of financial stability.

REGULATORY FRAMEWORK

The main legislative changes related to the Group's sectors of competence are presented below.

Regulations relating to local public services of economic importance

The rules on local public services resulting from the regulatory framework are contained in the Law converting Italian Law Decree No. 179 of 18/10/2012 containing further urgent measures for growth of the country, Art. 34, as resulting from the conversion law (Italian Law No. 221 of 17/12/2012), and as amended by Italian Law Decree No. 150 of 30-12-2013 - Extension of terms provided for by legislative measures, Art. 13 Terms on the subject of local public services, in force since 1 March 2014, under the terms of which:

1. By way of exception to the provisions of Article 34, paragraph 21, of Italian Law Decree No. 179 of 18 October 2012, converted, with amendments, by Italian Law No. 221 of 17 December 2012, in order to guarantee continuity of the service, where the entity responsible for the assignment or, if provided for, the governing entity of the territory or optimal and uniform territorial area has already launched the assignment procedures publishing the report pursuant to paragraph 20 of the same article, the service is performed by the operator or operators already working until the new operator takes over and in any case not later than 31 December 2014.
2. Failure to establish or designate the government bodies of the optimal territorial area under the terms of paragraph 1 Article 3-*bis* of Italian Law Decree No. 138 of 13 August 2011, converted, with amendments, by Italian Law No. 148 of 14 September 2011, or failure to resolve the assignment within the term of 30 June 2014, entail the exercise of the substitutive powers on the part of the Prefect competent for the territory, whose expenses are chargeable to the non-fulfilling entity, which must perform the formalities necessary for completion of the assignment procedure by 31 December 2014.
3. Failure to observe the terms pursuant to paragraphs 1 and 2 entails the cessation of assignments non-compliant with the requisites provided for in the European legislation as of 31 December 2014.
4. The present article does not apply to the services pursuant to Article 34, paragraph 25, of Italian Law Decree No. 179 of 18 October 2012, converted, with amendments by Italian Law No. 221 of 17 December 2012. (natural gas distribution service, pursuant to Italian Legislative Decree No. 164 of 23 May 2000, electricity distribution service, pursuant to Italian Legislative Decree No. 79 of 16 March 1999, and to Italian Law No. 239 of 23 August 2004, and management of municipal pharmacies, pursuant to Italian Law No. 475 of 2 April 1968).

Direct assignments granted as of 1 October 2003 to partially publicly-owned companies already listed on the Stock Exchange at that date, and to its subsidiaries, cease at the expiry date provided for in the service contract; assignments that do not provide for an expiry date cease, with no extension option, on 31 December 2020.

The functions organising the local public network services of economic relevance, including those belonging to the urban waste sector, deciding on the form of management, determining the relevant utility tariffs, managing assignment and the associated control, are performed exclusively by the government bodies within optimal geographical territories or areas.

Italian Law No. 190 of 23 December 2014, (Stability Law for 2015) introduced, in paragraph 609 of Art. 1, amendments to Article 3-*bis* of Italian Law Decree No. 138 of 13 August 2011, converted into Italian Law No. 148 of 14 September 2011, in order to promote aggregation processes and to strengthen the industrial management of local public network services of economic relevance. The functions organising the local public network services of economic relevance are performed exclusively by the Government bodies within optimal or uniform geographical territories or areas, in which the bodies take part obligatorily. If the local authorities have not joined the aforesaid Government bodies by 1 March 2015 or within sixty days from the establishment of the government bodies, the Chairperson of the Region exercises substitutive powers, after a warning. The Government bodies must make the report which gives an account of the reasons and existence of the requirements set forth by European law for the pre-established form of the assignment and explains the reasons with reference to the objectives of universality and sociality, efficiency, value for money and quality of the service.

The economic operator that took over from the initial concessionaire, wholly or partially, following business combinations carried out with transparent procedures, including mergers or acquisitions,

continues in the management of the service until the expiry dates provided for. In these cases the competent subject ascertains that the qualitative criteria and conditions of economic and financial balance are being maintained including with the update of the expiry term of all or some of the existing concessions, after a check by any Regulatory Authority.
The capital investments made by the local authorities with the income from the disposal of equity investments in companies are excluded from the constraints of the Stability Pact.
The rules on the subject of local public network services of economic relevance are understood as referred, subject to explicit exceptions, also to the urban waste sector and to sectors subject to regulation by an independent authority.

Paragraph 611 of Article 1 of the Stability Law for 2015 states that, starting from 1 January 2015, the Regions and local authorities must begin a process of rationalising the companies and equity investments directly and indirectly held, according to the following criteria:
a) elimination of non-indispensable companies and equity investments;
b) suppression of companies made up of only directors or by a larger number of directors than that of employees;
c) elimination of companies that perform the same or similar activities as those of other investees;
d) aggregation of companies providing local public network services of economic relevance;
e) reorganisation of administrative and control bodies and reduction of the related remunerations.

To this end the next paragraph, 612, of the same Law states, with a view to a reorganisation and reduction of investee companies, that the presidents of regions and the autonomous provinces of Trento and Bolzano, the presidents of provinces, mayors and other top management of the administrations pursuant to paragraph 611, in relation to the respective fields of competence, must define and approve, by 31 March 2015, an operational plan to rationalise the companies and equity investments directly or indirectly held, the methods and implementation times, and a detailed description of the savings to be achieved. This plan, accompanied by a specific technical report, must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. By 31 March 2016, the bodies pursuant to the first sentence must prepare a report on the results achieved, which must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. Publication of the plan and the report fulfils the disclosure obligation.

Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014, on the award of concession contracts was published in the E.U.O.J. (Official Journal of the European Union) of 28 March 2014.
The directive must be transposed by the Member States by 18 April 2016, although there are interpretations on the immediate applicability of the same in the Member States; in this sense the Council of State, Section II, expressed itself in Opinion No. 298 of 30 January 2015, according to which it is essential to take into account the detailed rules introduced by the European legislators; besides, Section VI of the Council of State, with Judgement No. 2660 of 26 May 2015, considered not yet directly applicable the above directives as the deadline for transposing them is still pending, affirming only the existence of a "negative obligation" which in practice is a duty to abstain from a different interpretation potentially prejudicial to the results that the directive is intended to achieve.
The concession assignment methods are:
a) to private companies, selected through a public tender procedure;
b) directly to public-private companies if the private partners is selected via tender concerning (i) assignment of the position of partner and, at the same time, (ii) assignment to the private partner of operating duties related to service management;
c) directly to companies 100% owned by public entities, if the sole purpose of such companies is to provide services to the public partners and if the awarding body can exercise the same control that the body exercises over its own offices ("in house" companies with analogous control).

After approval in the Senate, the parliamentary procedure of the Draft Delegating Law on the organisation of the Government authorities is continuing in the institutional affairs commission of the Chamber of Deputies. This draft law includes Art. 15 on the subject of reordering the rules of the local public services of general economic interest.

Code on public works contracts

The text of Italian Legislative Decree 163/2006 (Code on Public Works Contracts) has been subject to frequent additions and amendments. The more important new elements are:

- for bidding companies, a declaration of "in continuity" Arrangement with Creditors is not a reason for exclusion, but to be able to take part an explicit authorisation by the judicial receiver, if appointed, or by the Court is necessary (specification introduced by Italian Law 9/2014);
- the Commissioning Bodies must, where possible and economically convenient, divide the contracts into operating lots;
- establishment of the "National Public Contracts Database" which will enable the commissioning bodies to verify the general, technical, economic and financial capacity requisites; after subsequent postponements from 1 July 2014 it became obligatory to verify the requisites through the Database for contracts in the ordinary sectors (e.g. Solid Urban Waste collection);
- in tenders with award to the lowest price, this price is determined net of the expense related to personnel costs under the terms of Article 82, Section 3-*bis*, of Italian Legislative Decree 163/2006; on this point we can note that the Piedmont Regional Administrative Court – Sect. 1, with a judgement filed on 6 February 2015 introduced the principle of necessary not literal, but substantial and systematically logical interpretation of the law, in order to avoid, among other things, distortionary effects on tender procedures;
- the anti-corruption law introduces new disclosure obligations for public administrations and companies controlled by public bodies, with the exclusion, until new rules are issued, of companies already listed on the Stock Exchange and companies controlled by them, as specified by the circular of the Minister for the Public Administration and Simplification No. 1/2014 and confirmed by the ANAC in the draft resolution subject to online consultation "*Guidelines for implementation of the legislation on the subject of prevention of corruption and transparency by companies and private law bodies controlled and invested in by public administrations and economic public bodies*";
- with Italian Law No. 9 /2014 converting Italian Law Decree No. 145 of 2013, Art. 13, rules were introduced which enable Commissioning Bodies to pay subcontractors directly in cases of financial liquidity crisis of the contractor which are proven by repeated delays in payments to Subcontractors or Pieceworkers and ascertained by the commissioning body, after consulting the Contractor. In addition, also for works contracts in progress, where Arrangements with Creditors are pending, the Commissioning Body retains the right to arrange payments due for services provided by the contractor, and by subcontractors and pieceworkers.

At the end of 2013 the European Commission issued Regulation No. 1336/2013 which for the two-year period 2014-2015 changed the application limits on procedures for the award of public works contracts: Euro 207,000 for ordinary sectors (instead of Euro 200,000) and special sectors; Euro 414,000 (rather than Euro 400,000) for all public supply and services contracts and Euro 5,186,000 (instead of Euro 5,000,000) for public works contracts.
Once they are transposed (by 18 April 2016), the following European Union Directives published in E.U.O.J. (Official Journal of the European Union) 94 of 28 March 2014 will have a great impact on the legislation:

- Directive 2014/24/EU of the European Parliament and of the Council, of 26 February 2014, on public works contracts, which abrogates Directive 2004/18/EC;
- Directive 2014/25/EU of the European Parliament and of the Council, of 26 February 2014, on the contract procedures of supplying entities in the water, energy, transport and postal services sectors, which abrogates Directive 2004/17/EC;
- Directive 2014/23/EU on the award of concession contracts (previously not regulated).

The text of the enabling act for implementing the directives was approved by the Senate and was passed by the Chamber with a number of changes such as a reduction in the Commissioning Bodies, the limitation of integrated contracts, use of the criterion of maximum discount only in exceptional cases (the rule becoming that of the economically most advantageous offer) and new powers for the Anti-Corruption Authority which in practice becomes the market regulator.

We can note:

- the suppression of the Authority for Supervision of Public Contracts, which was replaced by the National Anti-Corruption Authority (A.N.A.C.) pursuant to Art. 19 of Italian Law Decree 90/2014, converted into Italian Law No. 114/2014
- A.N.A.C. Communication 2/9/2014 and A.N.A.C. Communication 17/03/2015: "Application of Art. 37 of Italian Law Decree No. 90 of 24 June 2014 as converted by Italian Law No. 114/2014, method of transmitting and communicating to the A.N.A.C. variants to work in progress" which lays down operating rules for commissioning bodies for the new formality (it applies only to over-the-threshold works). Italian Law 114/2014 also introduces rules on accelerating the administrative process (Art. 40) and contrasting abuse of the process (Art. 41) the "vexatious litigation". Again on the subject of the administrative process and its streamlining, we can note also the recent Prime Ministerial Decree No. 40/2015 related to conciseness of defence papers.
- Italian Law Decree 133 /2014 of 12 September 2014, known as "Unblock Italy" which introduced provisions modifying the Contracts Code, among which we can mention in particular those pursuant to Art. 2 on the subject of "Procedural simplifications for strategic infrastructures assigned in ", to Art. 4 on identifying "Simplification measures for unfinished works reported by local authorities and financial measures in favour of territorial bodies", and the provision of a series of measures for bureaucratic simplification, in favour of project bonds and to relaunch the building industry, to Art. 9 on measures for simplifying bureaucracy for undeferrable projects for amounts less than the community threshold.

Art. 28 of Italian Legislative Decree No. 175 of 21 November 2014, abrogated paragraphs 28, 28-*bis* and 28-*ter* of Art. 35 of Italian Law Decree No. 223 of 4 July 2006, which established the joint liability of the contractor and the subcontractor for payment to the Tax Authority of tax withholdings on income from subordinate employment payable by the subcontractor and imposed on the commissioning body an obligation to control fulfilment of the above obligations.
Following publication of the decree of the Ministry of Employment of 30 January 2015, from 1 July the online DURC [Single Contribution Payment Certificate] came into force with advantages in terms of times and costs for the Commissioning Bodies.

Anti-Mafia Code

Italian Legislative Decree No. 159 of 6 September 2011, subsequently supplemented and amended by Italian Legislative Decree 153/2014, approved the Code of anti-Mafia laws and prevention measures, which consolidates all provisions of the fight against organised crime into one law.
In particular we can note elimination of the "atypical information", annual validity of anti-Mafia information, rather than half-yearly, and obtainment of anti-Mafia communications solely from the Prefecture, and no longer from the Chamber of Commerce.
Italian Law Decree 90/2014, converted into Italian Law 114/2014 in Art. 29, amending Art. 1 paragraph 52 of Italian Law 190/2012, states that it becomes obligatory to consult the "White list", established at the Prefectures and that registration in the lists takes into account the anti-Mafia communications and information required by Italian Legislative Decree 159/2011, also for activities other than those for which the lists were established. The activities defined as at higher risk of infiltration are listed in paragraph 53 of Art. 1 of Italian Law 190 /2012 (e.g.: hot charters, waste transport and disposal for third parties, road transporters for third parties, extraction, supply and transport of soil and inert materials, etc.)

The Single National Anti-Mafia Database provided for by Articles 87 and 90 of Italian Legislative Decree 159/2011 and subsequent amendments and additions, following publication in Italian Official Journal No. 4 of 7/1/2015 of the Regulation which governs the access methods: Prime Ministerial Decree No. 193 of 30/10/2014 "*Regulation containing rules concerning the methods of operation, access, consultation and connection with the EDP Centre, pursuant to Article 8 of Italian Law No. 121 of 1 April 1981, of the Single National Database of Anti-Mafia Documentation, established under the terms of Article 96 of Italian Legislative Decree No. 159 of 6 September 2011"*, should have been operational from January 2015, but currently it is still not possible to acquire the anti-Mafia information online.

An A.N.A.C. communication of 23 June 2015 provides for annotation in the electronic criminal records and in the Database of Anti-Mafia Disqualifying Information.

Robin Hood Tax

In the judgement of the Constitutional Court of 11 February 2015 the additional IRES tax rate, which applied to companies operating in the energy sector, to electricity transmission/dispatching/distribution and gas transport/distribution operators, and to companies which produce electricity through the prevailing use of biomass and from photovoltaic-solar and wind sources, was considered unconstitutional.

However, the unconstitutionality is not effective retroactively, because it was established that it applies from the day after publication of this judgement in the Italian Official Journal. This "restrictive" interpretation was considered constitutionally oriented as "The macroeconomic impact of rebates of tax payments connected with the declaration of unconstitutionality of Art. 81, paragraphs 16, 17 and 18, of Italian Law Decree No. 112 of 2008, and subsequent amendments, would determine, in fact, an imbalance in the State budget of an amount such as to imply the need for an additional financial manoeuvre, also so as not to fail to observe the parameters to which Italy is obliged in Europe and internationally (Arts 11 and 117, first paragraph, Const.) and, in particular, of the annual and multi-annual forecasts indicated in the stability laws in which this revenue was considered fully acquired. Therefore, the overall consequences of removal with retroactive effect of the law challenged would end up requiring, in a period of continuing economic and financial crisis which affects the weakest bands, an unreasonable redistribution of wealth to the advantage of economic operators that can instead have benefited from a favourable economic situation. An irremediable prejudice to the needs of social solidarity would thus be determined with a serious breach of Arts 2 and 3 of the Constitution."

Cash transfers

The limit above which transfers in cash, or of bank or post office savings books payable to the bearer are not permitted was set at Euro 999.99 euro.

Gas distribution

The Letta Decree of 2000 introduced competition to the Italian natural gas market by deregulating gas imports, exports, transport, dispatch and sales.
Storage activities aim to compensate fluctuations in consumer demand within the national gas system so as to guarantee a strategic reserve of natural gas. Storage activities are performed by the company on the basis of concessions awarded by public tender procedures. Distribution activities are considered a public service and can only be performed by companies that do not already provide other services in the gas industry. The distribution service is currently assigned on the basis of public tenders for a maximum 12 years.

In a Decree of 19 January 2011 the Ministry of Economic Development determined the geographical areas for the natural gas distribution sector. With Ministerial Decree No. 226 12/11/2011, the Regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was also approved. This Regulation establishes that the Municipality which is the Chief Municipality is the Commissioning Body for managing the tender. The deadline for identifying the Commissioning Body is set as six months from entry into force of the regulation (11 February 2012) for the Parma, Reggio Emilia, Turin 1 and Turin 2 areas, 24 months for the Genoa 2 area, 30 months for the Genoa 1 area and 36 months for the Piacenza 2 East area.
The related tenders must be launched within 15 months of the above deadlines by the Chief Municipality, or within 18 months by an entity identified by the Municipalities belonging to the territorial area (if this does not include the Chief Municipality).
In 2013 the "Decreto del Fare" (Action Decree, Italian Decree Law No. 68 of 21 June 2013) introduced a number of amendments to the "Criteria Regulation" which defines the basic rules for conducting area-related tender procedures. The peremptory nature of deadlines is envisaged for appointment of the Commissioning Body, with a penalty for failing to meet the deadlines and the strengthening of substitution powers through the appointment of an "*ad acta* commissioner". The deadlines for the call for tenders were then extended for different periods, as results from the rules indicated below.

These concessions are currently operating under the extended regime pending the launch and award of public invitations to tender.

Italian Law Decree 145/2013 converted into Italian Law No. 9 of 21/2/2014 established in Art. 1 paragraph 16 that "The expiry terms provided for in paragraph 3 of Article 4 of Italian Law Decree No. 98 of 9 August 2013, are extended for a further 4 months. The deadlines pursuant to Annex 1 to the regulation pursuant to the Decree of Minister of Economic Development No. 226 of 12 November 2011, related to areas included in the third group of the said Annex 1, and the respective terms pursuant to Annex 3 of the same regulation, are extended by four months."

Article 30-*bis* of Italian Law Decree 91/2014 the "competitiveness decree", converted with amendments by Italian Law 116/2014, established an extension of the deadlines for publication of the calls for tenders for assignment of the gas distribution service.
Specifically the deadlines for the first Group of territories are extended by eight months (and thus until 11 March 2015) those of the second, third and fourth Group by six months and those of the fifth and sixth Group of territories by four months.
In addition with Italian Law No. 11 of 27 February 2015, converting, with amendments, Italian Law Decree No. 192 of 31 December 2014, containing extension of terms provided for by legislative measures*,* the *Thousand Extensions,* published in O.J. No. 49 of 28-2-2015, in the coordinated text, in force since 1 March 2015, in Art. 3 , *Extension of terms on the subject of economic development*, established in para. 3-*ter* that "*The term beyond which the provision pursuant to paragraph 4 of Article 30*-bis *of Italian Law Decree No. 91 of 24 June 2014, converted, with amendments, by Italian Law No. 116 of 11 August 2014, applies in relation to the first and the second group as per Annex 1 to the regulation pursuant to the decree of the Ministry of Economic Development No. 226 of 12 November 2011, is extended to 31 December 2015*", and in the subsequent para. 3-*quater*, which "*The terms pursuant to Article 3, paragraph 1, of the regulation pursuant to paragraph 3-*ter*, related to failure to publish the call for tenders, for the areas of the first group as per Annex 1 to the same regulation are extended to 11 July 2015* (OMISSIS)".

The launch of tenders for ATEM are therefore as of today envisaged according to the following calendar, which takes into account the term for publication of the call for tenders:

- Reggio Emilia - tender extended for two years owing to earthquake, no change - 11 November 2015
- Parma – envisaged for 11 July 2015, but still not yet published
- Piacenza 1 West – 11 November 2015
- Piacenza 2 East – 11 November 2016
- Genoa – 11 March 2016

With Resolution 382/2012/R/gas, the standard service contract template for natural gas distribution was published.
Amongst the major changes in the regulatory framework of the gas distribution sector, the most important are the measures adopted by the Authority for Energy and Gas (now the Authority for Electrical Energy, Gas and Water Service – AEEGSI) regarding:

- distribution and metering tariffs;
- distribution and metering service.

On 22 May 2014 a Decree was issued by the Ministry for Economic Development containing *"Approval of the document 'Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants'"*. This was published in Italian Official Journal, General Series, No. 129 of 6.6.2014 together the document, which is annexed to the said decree and is an integral part of it, containing *"Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants"*.

On 24 July 2014 the AEEGSI published Resolution No. 367/2014 and Annex A – concerning the Gas distribution services tariff regulation system, with reference to the regulation period 2014-2019 for Territorial Area managements and other rules on the subject of tariffs.

On 13 March 2015 the AEEGSI issued clarifications in relation to Resolution 367/2014.

Both the Ministerial Decree of 22 May 2014, and Resolution No. 367/2014 were appealed by the Iren Group respectively the former to the Lazio Regional Administrative Court (henceforth RAC) and the latter to the Lombardy RAC. The appeals are currently pending. The AEEGSI's clarifications of 13 March 2015 were also appealed as reasons added to the original appeal.
The Lombardy RAC with a judgement filed on 16 June 2015 rejected the appeal lodged against Resolution 367/2014 (and preparatory acts including Resolution 573/2013) by SGR Reti S.p.A.

The “Unblock Italy” Law Decree in Art. 37 provides for “Urgent measures for natural gas procurement and transport” and in Art. 38 “Measures for enhancing national energy resources”.

The Ministerial Decree of 20 May 2015, currently being published, updates the regulation on the criteria for tenders for gas distribution (MD 226/2011), completing the legislative framework of reference. In addition, the decree clarifies the methods of recognition of expenses related to the energy efficiency certificates that the incoming Operator must passed on to the Commissioning Body.

On 22 June 2015 the AEEGSI issued Resolution 296/2015/R/com with which it approved the “AEEGSI Rules on functional separation (unbundling) obligations for companies operating in the electricity and gas sectors (TIUF)”. With the said Resolution 296/2015/R/COM the AEEGSI establishes functional unbundling obligations for electricity and gas operators. In particular we can note the obligation to unbundle the communication policy and the brand between sale and distribution companies. It is specified that interfacing with final customers must involve the use of distinct information channels, physical spaces and personnel.

Default service
With Resolution ARG/gas 99/11, the Authority had introduced rules for the retail sale of natural gas, with particular reference to the methods of purchase and loss of liability of withdrawals, to rules on non-fulfilment by final customers of their payment obligations (default) to completion of the structure provided for regarding last resort services, regulating the default service (DS), aimed at ensuring the balancing of the distribution network in relation to withdrawals of gas made directly by the final customer (without a supplier), that owns the supply point for which the conditions are not met for the commissioning of a supplier of last resort, or it is, in any case, impossible to commission a supplier of last resort.
With Resolution 352/2012/R/gas, provisions were adopted to complete the regulation of the default service, establishing the remuneration of the distribution company that provides the default service and the entry into force of the regulations governing the remuneration of the default service, fixed starting from 1 January 2013, taking into account Ministerial Decree of 3 August 2012, which aimed at including, under final customers entitled to use a supplier of last resort, also customers that have remained without a supplier based on personal choice and that are owners of supply points that cannot be disconnected.
By means of Judgement No. 3296 of 29/12/2012 of section III of the Lombardy RAC, Resolution 99/11 was deemed illegitimate given that, in breach of the EU and national principle of unbundling, also functional, of distribution activities and gas supply activities, it introduced the default service, making gas distribution companies responsible for it.
The AEEG submitted an appeal with an application for monocratic precautionary measures against the judgement of the Regional Administrative Court. On 28 January 2013 the Council of State upheld the AEEG’s appeal on a provisional basis, and suspended the effects of the judgement of the Lombardy Regional Administrative Court, setting the hearing on the merits of the case for 19 February 2013. Following this suspension decision, AEEG saw fit to publish Resolution 25/2013/R/gas on 30 January 2013, “Urgent provisions, in implementation of the monocratic decrees of the Council of State on 28 January 2013, concerning the default service on natural gas distribution networks”.
Given the establishment of a technical round table with the AEEG, adjournment of discussion of the appeal was requested in order to be able to continue the work of the round table commenced with operators in the meantime.
The Council of State then adjourned discussion of the precautionary suspension application to the hearing in Chambers of 9 July 2013.
At the hearing of 9 July 2013 the Council of State set the date of the hearing for discussion of the merits of the appeals filed by the AEEG against the Milan Regional Administrative Court judgements of December 2012 as 4 March 2014.

On 21 November 2013 the AEEG adopted another resolution, 533/2013/R/GAS, on regulations for default. On 21 January 2014 an appeal was filed based on additional grounds for its cancellation.

Subsequently the following resolutions were issued:
- on 6 June 2013 Resolution 241/2013/R/gas "Reform of the rules on the distribution default service, following the declared impossibility to perform all the activities pursuant to the TIVG, as regards the balancing of direct withdrawals";
- on 27 February 2014 Resolution 84/2014/R/gas "Rules on default and last resort services, amendments and additions to the TIMG and TIVG;
- on 29 May 2014 Resolution 246/2014/R/gas "measurement of natural gas withdrawn at redelivery points to which the distribution default service is provided following failure to physically disconnect".

With a judgement filed on 12.6.2014, the Council of State accepted the appeal lodged by the AEEG against the judgements with which the Milan Regional Administrative Court, in December 2012, had ruled that Resolution 99/11 was unlawful ordering it to be cancelled.
Very briefly the Council of State, following the AEEGSI's pleadings, decided that the default service is associated with the balancing service and that the same cannot be considered sales activity but, rather, as ex post settlement activity of the objective debt relationships created following withdrawals made by customers that have remained connected to the distribution network.
This was also considering the fact that the typical risk of sales activity, since the default of the final customer served is almost fully socialised and made chargeable to the community.

With Resolution No. 418/2014/R/GAS of 7 August 2014, the Authority approved the criteria and methods for identifying last resort suppliers (LRSs) and distribution default service suppliers (DDSs) with reference to the period 1 October 2014 – 31 September 2016.
In addition with the same Resolution No. 418/2014/R/GAS of 7 August 2014, the Authority amended, among other things, paragraph 30.4 of the TIVG establishing that "in cases in which the tender procedure (chosen by the DDS) does not make it possible to identify a DDS, or in cases of non-performance of the (default) service by the selected supplier the distribution companies which perform the service in areas where it should have been performed by the supplier are responsible for the activity of economic settlement of the physical gas items attributable to direct withdrawals made by the final customer.

AEEGSI Resolution No. 258/2015/R/com of 29 May provides for "first actions on default in the electricity and natural gas retail markets and revision of switching times in the natural gas sector".
In particular the documentation transmission procedure between vendor and distributor in order to facilitate legal initiatives was implemented.
It should be noted that the resolution in a "recital" qualifies as an obligation of result - on the distribution company - the physical disconnection of the redelivery point. We are currently considering whether to appeal.

Electricity distribution

Italian Legislative Decree No. 79 of 16 March 1999 (the "Bersani Decree") established a general regulatory framework for the Italian electricity market which gradually introduced competition in the production of electricity and sale to eligible customers, against the retention of a regulated monopoly arrangement for transmission and distribution.
Specifically, the Bersani Decree:
- deregulated production, imports, exports, purchases and sales of electricity from 1 January 2003, provided that no company is authorised to produce or to directly or indirectly import more than 50% of the total electricity generated or imported into Italy, with a view to increasing market competition in the production of electricity;
- envisaged the establishment of the Single Buyer, which is in charge of signing and managing supply contracts, with a view to guaranteeing the necessary generation capacity and continuous supply of electricity, the safety and efficiency of the entire system and equal treatment in terms of tariffs;
- envisaged the setup of the "Power Exchange", a virtual marketplace in which producers, importers, wholesalers, distributors, the national grid operator, the Single Buyer and other free market operators can buy and sell electricity a set prices through a tender procedure;

- envisaged the creation of an entity to manage the Power Exchange (i.e. the Electricity Market Operator or Market Operator) and assigned transmission and dispatch activities under concession to the national transmission network operator (Terna); electricity distribution activities are performed under concession granted by the Ministry for Economic Development.

Italian Law No. 290 of 27 October 2003 established the re-unification of ownership and management of the transmission network.
Measures were adopted in 2007 to guarantee unbundling.

Tariff structure for transmission, distribution and metering
The AEEG established a tariff regime that came into force on 1 January 2000. This system replaced the "cost plus" one with a new "price cap" mechanism, which provides for a limit on annual tariff increases corresponding to the difference between the inflation rate and the increase in productivity achievable by the service supplier, together with further factors, such as improving quality. According to the price cap method, tariffs should reduce by a fixed percentage each year in order to encourage regulated operators to improve efficiency and gradually pass on their savings to the end user.

In the fourth regulatory period (2012-2015), provisions are in force that regulate the main electricity distribution activities, which apply to a market that is now fully deregulated.
These activities are:
1) transmission, distribution and metering service tariffs (Resolution ARG/elt 199/11)
2) social tariff (Resolution 402/2013/R/com which replaced from 1 January 2014 Resolution ARG/elt 117/08)
3) quality of service (Resolution ARG/elt 198/11)
4) default (Resolution ARG/elt 4/08)
5) switching (Resolution ARG/elt 42/08)
6) regulation of physical and economic items of the settlement dispatching service (Resolution ARG/elt 107/09)
7) unbundling (Resolution ARG/elt 11/07)
8) indemnity system (Resolution ARG/elt 191/09).

As regards point 1), the mechanism of the average national tariff supplemented by adjustments (general and company-specific) is replaced by a single tariff for each distributor.

As regards point 2), in order to protect domestic customers in situations of difficulty (economic and physical), the electrical bonus rules are simplified and certain critical points removed.

On point 3), Resolution 198/2011 (TIQE - integrated code on electricity quality) regulates the commercial and technical quality for 2012-2015.
The “rapid quote” mechanism came into force in 2013 together with new indicators for the replacement of faulty meters and for restoration of the correct value.

With regard to point 4), the system defined by Resolution 4/08 continues to apply:
a) protection of the receivables of vendors and safeguards for providers;
b) definition of specific regulations for managing suspension of supply in the event of default of final customers, connected to the low voltage network, and not equipped with electronic meters, making provision for disclosure obligations for distributors.

On point 5), Resolution 42/08 regulated the dispatching, transport and metering of electricity in the event of a change of vendor at the same active supply point, or assignment of a new or previously deactivated supply point to a vendor (switching).

As regards point 6), Annex A to Resolution ARG/elt 107/09 summarises in a single document (the Integrated Code on Settlements - TIS) all provisions regarding settlement, i.e. the settlement of the physical and economic items of dispatching (monthly settlement, annual adjustments, metering corrections, etc.) in order to obtain:

a) the correct accounting and economic valuation of energy withdrawn by each dispatching user;
b) containment of the economic and administrative impact for dispatching users due to adjustments of measurements;
c) accounting and administrative simplification for Terna and the distributors.

As regards point 7), the "Integrated code of provisions of the Italian Authority for electricity and gas concerning administrative and accounting unbundling obligations for companies operating in the electricity and gas sectors and the associated publication and communication obligations (Integrated Code or TIU - Integrated Code on Unbundling) established the obligation of functional unbundling for vertically integrated companies - i.e. the company or Group of companies that, in the electricity or gas sector, performs at least one activity under a concession agreement (e.g. the electricity distribution and/or gas) and at least one deregulated activity (e.g. the sale of electricity and/or gas) - essentially acknowledging the content of EU directives 2003/54/EC (for the electricity sector) and 2003/55/EC (for the gas sector).
The objective is to promote competition, efficiency and adequate levels of quality in the provision of services:

a) ensuring the neutrality of management of essential infrastructures for the development of a competitive market;
b) preventing discrimination between market operators regarding access to sensitive information and the use of infrastructures;
c) separating activities carried out in a competitive scenario from regulated activities (management of infrastructures), avoiding the cross transfer of resources and costs.

As regards functional unbundling, first and foremost, within the domain of a vertically integrated company, each regulated activity must be assigned to an Independent Operator, that must manage it with decision-making and organisational autonomy, pursuing objectives of efficiency, cost-effectiveness, neutrality and non-discrimination.
The Independent Operator nominates a Guarantor for the correct management of commercially sensitive information (Data Guarantor), who monitors the proper management of information (intended as commercially sensitive information, i.e. relevant for market competition).
In order to achieve these objectives the Independent Operator is equipped with a plan of obligations, a document containing a series of organisational and managerial measures whose minimum requirements are set by the Authority.
Furthermore, on an annual basis, the Independent Operator drafts an Annual Report on the Measures Adopted and sends it to the Authority.

As already specified in the section Gas distribution above, with Resolution 296/2015/R/COM the AEEGSI establishes functional unbundling obligations for electricity and gas operators. More specifically we can note the obligation to unbundle the communication policy and the brand between sale and distribution companies and, in particular in the electricity sector, also between sales on the free market and greater protection service. It is specified that interfacing with final customers must involve the use of distinct information channels, physical spaces and personnel.

As regards point 8), Resolution ARG/elt 191/09 defined the "Indemnity System", which guarantees compensation to the outgoing vendor in the event of the non-collection of amounts due for the invoices issued in the last few months of supply, before the effective date of switching for the service provided.
The subsequent Resolution ARG/elt 219/10 issues the rules for operation of the Indemnity System.
This system allows all vendors to claim compensation on the final customer, regardless of the change of vendor requested by the final customer.

Major hydroelectric shunt concessions

Constitutional Court Judgement No. 205 of 4 July 2011 pronounced the unconstitutionality of the provisions of Italian Law Decree No. 78 of 31 May 2010, converted to Italian Law No. 122 of 30 July 2010, which extended major water shunting concessions for the production of electricity by five years, with the option of extension by a further seven years if a combined private/public company was established by certain provinces.

As a result of the declaration of constitutional illegitimacy, the concessions expiring on 31 December 2010 are subject to continued management by the operator until takeover by the new operator, which must be chosen through a public tender.
The duration of future concessions, to be issued following a tender process, will vary between twenty and thirty years, in accordance with criteria to be established in an interministerial decree in the process of being issued in agreement with the State-Regions Conference, in relation to the investments deemed necessary. The choice of the best bid for assignment of the concession will be based predominantly on the economic bid for the acquisition of water resources and on the increase in energy produced or installed power. For concessions already expired or those due to expire by 2017, the tender will be called within two years from the date of entry into force of the interministerial decree that will establish the criteria and the new concession will take effect from the fifth year after the original expiry and, in any case, no later than 31 December 2017. Ownership of the business unit relating to the exercise of the concession is transferred from the outgoing to the incoming concession holder, including all pertinent legal relations.
In September 2013 the European Commission began a fact-finding inquiry, concerning several member states, on the conditions for assigning, extending or renewing water concessions for hydroelectric use and sent the Italian Government a letter of formal notice which states that certain provisions recently introduced by the Italian parliament (with Italian Law 134/2012, converting the Italian "Development" Law Decree 83/2012), as well as certain parts of the legislation of the Autonomous Provinces of Trento and Bolzano are contrary to principles and rules of community law (freedom of establishment; Art. 12 of the "Bolkestein" Directive 2006/123/EC). The Italian Government's reply to the European Commission's objections is being prepared.

The Decree of the President of the Piedmont Regional Executive No. 2/R of 9 March 2015 approved the new regional regulation on public water shunting concessions which changes the rules on proceedings for issuing concessions for which the Province or the metropolitan City is responsible and introduces the possibility of overcoming the "*presumption of incompatibility owing to proximity*" producing specific documentation.

Integrated Water Service

The integrated water service reform process, which began with Italian Law No. 36/94 (the Galli Law), was revised with the approval of Italian Legislative Decree No. 152 of 3 April 2006, as amended by Italian Legislative Decree No. 219 of 10 December 2010.
Regulation of the integrated water service management is based on the following principles:

- establishment of an integrated system for management of the entire water cycle;
- identification by Regional Governments of Optimal Territorial Areas ["Ambiti Territoriali Ottimali" - ATOs], within which the integrated water services are to be managed. Each ATO is responsible for: (a) organising the integrated water service, through a plan which has to define the investment and management policies (the Area Plan), (b) identifying an operator for the integrated water service, (c) determining the tariffs applied to users, (d) monitoring and supervising the service and the activities conducted by the operator to guarantee correct application of the tariffs and achievement of the objectives and quality levels established in the Area Plan;
- organisation of the integrated water service is based on a clear segregation of duties between the various governing bodies. The state and regional authorities carry out the general planning, while the local authorities supervise, organise and control the integrated water services system.

Italian Law No. 42 of 2010 ordered the suppression of the Optimal Territorial Area Authorities when a year had passed from entry into force of this law; this term was extended to 31 December 2012.
The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.
As regards rules on the subject of ATOs (Optimal Territorial Areas), the Emilia Romagna Region with Regional Law No. 23 of 23-12-2011 set forth the "Rules for the territorial organisation of the functions related to local public environmental services", which lays down the rules relating to regulation of public environmental services and in particular to the territorial organisation of the integrated water service and the integrated urban waste management service in Emilia-Romagna, and states that on the basis of the principles of subsidiarity, differentiation and adequacy, the entire regional territory constitutes the optimal territorial area in accordance with Articles 147 and 200 of Italian Legislative Decree No. 152 of 2006.

The Liguria Region, with Law No. 1 of 24 February 2014, attributed the functions on the subject of organisation and management of the Integrated Water Service and Integrated Waste Management.
As regards the IWS, the Law identified 5 ATOs:
- ATO West – Province of Imperia;
- ATO Centre/West 1 - Province of Savona;
- ATO Centre/West 2 - Province of Savona;
- ATO Centre/East – Province of Genoa;
- ATO East – Province of La Spezia.

The Law (Article 10) extended the option for autonomous management of the IWS to Municipalities with a population of up to 3,000 inhabitants. This provision was challenged by the Government (raising a question of unconstitutionality) as it clashes with the rules (Art. 148, 5th paragraph of Italian Legislative Decree 152/2006 - Consolidated Law on the Environment), which limit this option to Municipalities with a population of up to 1,000 inhabitants.
With Judgement No. 31 of 10 February 2015 the Constitutional Court declared unconstitutional Article 10 paragraph 1 of Liguria Regional Law No. 1/2014.

The Integrated Water Services segment was also affected by the Referendum held on 12 and 13 June 2011, the result of which partially repealed Article 154 paragraph 1 (integrated water service tariff) of Italian Legislative Decree No. 152 of 13 April 2006 "Determination of the tariff for the integrated water service" only insofar as the portion envisaging that this should be "based on adequate remuneration of invested capital".
This repeal does not produce direct and immediate effects on the current tariffs, but is limited to changing the criteria to be adopted by the competent Authority in preparing the "Tariff Method", as now defined in the Ministerial Decree of 1 August 1996.
The Constitutional Court clarified that given the outcome of the Referendum the Regional Governments must identify the entity to replace the ATOs. This entity shall be responsible for assigning management of the water services in compliance with European principles on public tender procedures.
The functions concerning the regulation and control of water services were transferred to the Italian Authority for Electricity, Gas and Water services.
The Authority required a tariff structure by operator/area similar to the pre-existing one to be maintained during the temporary phase.
On 25 June 2013 (Resolution 273/2013), the AEEGSI approved a specific provision defining the criteria for calculating the amounts to be repaid to end users, corresponding to the return on invested capital and paid in the water bills in the post-referendum period from 21 July until 31 December 2011.
The decision made by the Authority is censurable from various points of view, in particular the fact that it conflicts with EU rulings that envisage coverage of this cost item. Instead, the Authority appears to have eliminated the return on invested capital from the tariff without envisaging any alternative means of covering the financial expense. The Lombardy Regional Administrative Court, with a judgement dated 20 February 2014, accepted the arguments of the appellants (including IREN Acqua Gas) ruling that AEEGSI Resolution No. 273/2013 should be cancelled for the reasons maintained by the same. With Resolution No. 643 of 27 December 2013 the AEEG approved the "Water Tariff Method and completion rules" (MTI), containing the methods and parameters for calculating the costs (OPEX and CAPEX) that must provide adequate remuneration through the tariff applied to water service users.
The rules of this Resolution are applicable from financial year 2014 onwards.
By 31 March 2014, the entity with responsibility for the Territorial Areas must:
- define the objectives and (on the Operator's proposal) prepare the Plan of Action;
- prepare the tariff for 2014 and 2015;
- prepare the Economic and Financial Plan (covering the duration of the assignment), which must ensure that operational balance is achieved by the Operator;
- submit these calculations to the AEEG for final approval.

Italian Law Decree 133 /2014 of 12 September 2014 known as the "Unblock Italy" Decree (Art. 7) introduced a number of changes to the rules of the IWS contained in the Consolidated Law on the Environment (Italian Legislative Decree No. 152/2006).
In brief it is established that:
- the Regions (if they have not already done so) must identify the governing entities of the area by 31 December 2014 - otherwise the government's substitutive powers would apply;

- the local authorities must take part in the governing entity of the area (which replaces the Area Authority) - failure to join the governing bodies of the area is sanctioned with exercise of the substitutive powers by the President of the Region;
- the concept of *single* management of the IWS is introduced;
- the governing entity of the area (if they have not already done so) must choose the form of management of the IWS and begin the assignment procedures within the term of 30 September 2015;
- the relationship between the governing entity of the area and the operator is regulated by an agreement prepared on the basis of a standard agreement prepared by the AEEGSI - the existing agreements are supplemented in accordance with the provisions of the said agreements, with the methods established by the AEEGSI;
- the new operator must pay the outgoing operator an amount to reimburse the investments made, determined according to criteria defined by the AEEGSI;
- in the event of early termination of the assignments, the outgoing operator is owed an indemnity as a refund of the investments made (not depreciated) and for loss of earnings (10% of the service still to be provided assessed on the basis of the economic-financial plan), with a reference to the rules of the Contracts Code;
- the definitive project of the works and actions provided for in the Investment Plan included in the Area Plans (and the related substantial changes) must be approved by the governing entities of the area - approval of the projects entails the declaration of public utility and constitutes authorisation and/or variant to the town and territorial planning instruments - the governing entity of the area convenes the conference of services and constitutes the expropriating authority (a role which may be delegated to the operator);
- in order to ensure observance of the principle of *single* management, the IWS operator takes over from the other entities operating in the same area with effect from entry into force of the law, but if these entities manage the service on the basis of an assignment granted in accordance with the *pro-tempore* current law, the takeover will occur at the expiry of the assignment.

Finally the AEEGSI adopted, among other things, the following resolutions of interest to the Group:

- Resolution No. 6/2015/R/IDR of 15 January 2015 regarding the launch of a proceeding for defining the water tariff method for the second regulatory period with reunification of the proceeding pursuant to Resolution 374/2014/R/IDR and identification of a single term for completion of the proceeding.
- Resolution No. 8/2015/R/IDR of 15 January 2015 regarding the launch of a proceeding for defining the criteria for structuring the tariffs applied to users of the water services.
- Resolution No. 83/2015/A of 5 March 2015 regarding the establishment and operation of the Permanent Observatory on regulations covering energy, water and district heating;
- Resolution No. 107/2015/R/IDR of 12 March 2015 containing the list of managements excluded owing to failure to deliver the plants from the tariff update for the first regulatory period 2012-2015. The list also includes the Group's associates AMAT of Imperia and AIGA of Ventimiglia. These Companies have presented to the AEEGSI a plea for a revision of the decision and are preparing an appeal to the RAC in the event of a negative reply or no reply within the terms for proceeding with an appeal.
- Resolution No. 122/2015/R/IDR of 19 March 2015 regarding the launch of a proceeding for the creation of solidaristic economic and financial equalisation systems covering the tariffs of the integrated water service also on the national scale.

We can note the consultation document 274/2015/R/IDR of 4 June 2015 of the AEEGSI containing “Criteria for preparing one or more model agreements for management integrated water service” and the consultation document 273/2015/R/IDR of 4 June 2015 of the same Authority, containing “Regulation of the contractual quality of the integrated water service or of each of the single services that make it up”. Both texts govern the actions on the subjects of launching and managing the contractual relationship and obligations of recording contractual quality data.

Waste Management Service

Integrated Waste Management is understood as all the activities of transportation, treatment and disposal of waste, including street sweeping and the management of these operations.
The legislation of a general nature applicable to the Integrated Waste Management Services sector is contained at national level in the Environmental Code (Italian Legislative Decree 152/2006 amended most recently by the Ministerial Decree of 15.01.2014), in Italian Legislative Decree 36/2003 (landfills), in Italian Legislative Decree 133/2005 (incineration and co-incineration), in Presidential Decree No. 59 of 13 March 2013 (Single Environmental Authorisation), and at the regional level by Emilia Romagna Regional Laws No. 25/99, No. 10/2008 and No. 23/2011.
Given that the Territorial Area Authorities ceased to exist on 31 December 2012, the Emilia Romagna Region set up the Territorial Agency of Emilia Romagna (ATERSIR), according to the aforementioned law, for water and waste services in which all the Municipalities and provinces take part and which is responsible for the regulation functions for the entire regional territory, and determination of the urban waste disposal tariffs on the basis of the regional criteria, of the private and public plant engineering. This agency became operational in 2012.
The Piedmont Region adopted the Regional Waste Management Plan on 30/09/2009, completing a process launched in 2007. The Plan has a 2009 – 2015 time horizon.
At the same time as adopting the Plan, the establishment of 3 Optimal Territorial Areas, combining the 8 previous areas divided by Province, was provided for.
Regional Law 7/2012 further modified the structure of the Areas, providing for their division into 4. The 4 current Areas are made up as follows:
a) Area 1: Novarese, Vercellese, Biellese and Verbano, Cusio, Ossola;
b) Area 2: Astigiano and Alessandrino;
c) Area 3: Cuneese;
d) Area 4: Turinese.
The ATOs have a role of planning the activities and applying the provisions of the Regional Waste Management Plan, and planning the flows and disposal tariffs.
In turn the ATOs are divided into Catchment Area Consortia which have a significant role at the management level.

We can also note that the SISTRI system came into force on 1 October 2013 for hazardous special waste operators and from 3 March 2014 for initial producers of hazardous special waste. The SISTRI sanctions, exclusively related to failure to register or pay the annual contribution, apply starting from 1 April 2015 (following Italian Law 11/2015 converting the “Thousand Extensions Decree ” Italian Law Decree No. 192 of 31 December 2014). The SISTRI sanctions for all the other breaches apply from 1 January 2016.

The “Unblock Italy” Decree converted by Italian Law 164/2014 states that within ninety days from entry into force of the conversion law (10 February 2015) the Prime Minister must identify with his or her decree energy recovery and urban and special waste disposal plants, existing or to be built, to create an integrated and modern management system for such waste capable of achieving national security in self-sufficiency and superseding the infringement proceedings for failure to implement the European laws on the sector. For this purpose he or she must consult the Permanent Conference. The Prime Minister must carry out the check with regard to: a) the total processing capacity at the national level of urban and similar waste by the incinerator plants in operation or authorised at the national level; b) the incinerator plants with energy recovery to be created to cover the residual need (for the purpose of gradual socio-economic rebalancing). The Ministerial Decree implementing “Unblock Italy” is still being prepared, and we are awaiting its approval and consequent publication so that it can be considered effective.

The Stability Law for 2015 (Italian Law No. 190 of 23 December 2014) in paragraph 615 of Art. 1 replaced the second sentence of Art. 149-*bis* of Italian Legislative Decree No. 152/2006 establishing that direct assignment of the service can be made to entirely publicly-owned companies, in possession of the requisites prescribed by the European legislation for in-house management, in any case invested in by local authorities located in the optimal territorial area.
All the "energy recovery" (no longer "thermotreatment") plants, both existing and to be built, must be authorised to saturation of the thermal load, but only in the event of a positive environmental compatibility assessment of the plant in operating mode (including observance of Italian Legislative Decree 155/2010 on air quality).

The plants in question must give priority to urban waste produced in the regional territory (and to those of other Regions, only for the availability remaining after the regional needs are met).
If these plants receive urban waste from other Regions, the operators of the plants must pay the Region a new contribution (max Euro 20 euro per tonne) destined to finance a fund used to prevent waste, provide incentives for Separate Collection, for reclamation work and to limit tariffs. The law establishes that the expenses of this contribution "*may not be transferred into tariffs, charged to citizens*".
Only hazardous special waste with infection risk remains permitted, "*in a complementary manner*" and observing the principle of proximity, on condition that the plant is fitted with a dedicated loading system that "excludes also all contact between the personnel involved and the waste" (to this end the Integrated Environmental Authorisations are made compliant).
The reduction to a half of the terms for expropriation procedures was confirmed (for proceedings in progress, the remaining terms are reduced to 1/4). The reduction to a half of the terms envisaged for the Environmental Impact Assessment and the IEA was not confirmed, but the new law establishes that the terms set by law for these procedures "must be considered peremptory". The Prime Minister must carry out a study of the existing offer of plants also as regards recovery of the organic fraction, divided into Regions. Until the plants in question are built, the Regions may authorise, where technically possible, an increase of up to 10% of the capacity of such plants to encourage the recovery and production of high-quality compost.
Article 182 of the "Environmental Code" was amended, providing for the exclusion from the prohibition on extra-regional disposal of non-hazardous urban waste that the President of the Region considers necessary to send for disposal out of the Region "*to deal with emergency situations caused by natural calamities for which a state of emergency is declared*".
In January Ministerial Decree No. 272 of 13 November 2014 came into force. This makes known the methods for preparing the reference report when an IEA is requested or renewed. The managers of companies that run a plant subject to IEA, if the activity entails the use, production or discharge of hazardous substances, must in fact present a report containing information on the quality of the soil and underground waters, indicating the hazardous substances. It follows that, if an IEA procedure is pending, it will be necessary to supplement the application with the reference report, which enable also a comparison on the state of Contamination of soil and waters at the moment of definitive cessation of the activity, so as to permit an assessment on any obligations to reclaim.
The “Thousand Extensions Decree” (Italian Law Decree No. 192 of 31 December 2014, converted into Law No. 11 of 27 February 2015) moves to 30 June 2015 the term of the prohibition on conferring to landfills waste with LCV (Lower Calorific Value) of more than 13,000 Kj/kg.
Italian Law No. 190 of 2014 has also been in force from the first of January. This states that in polluted sites not yet reclaimed the work required by the legislation on workplace safety and ordinary and extraordinary maintenance activity can be done, provided that it does not prejudice the reclamation activity and workers' health.

Regulation (EU) No. 1357/2014 of the European Commission came into force on 1 June 2015; this innovates the hazardous waste classification system. The Regulation replaces Annex III of Directive 2008/98/EC, and consequently the entire Annex I to Part IV of Italian Legislative Decree No. 152/2006.
On 1 June 2015 the Decision of the European Commission 2014/955/EC came into force. This introduces a new European List of Waste that modifies Decision 2000/532/EC, transposed at the national level by Annex D of part IV of Italian Legislative Decree 152/06.

Italian Law 68/2015 of 22 May 2015 “Rules on the subject of crimes against the environment” has been in force since 29 May. This introduces into the criminal code five new crimes against the environment, namely environmental pollution, environmental disaster, trafficking and abandoning highly radioactive material, impeding controls and failure to reclaim. The law in question also contains amendments to Italian Legislative Decree No. 231/2001, in particular to Art. 25-*undecies*, containing the predicate of environmental crimes. In its Report No. III/04/2015 of 29 May 2015 the Information Office [Ufficio del Massimario] of the Court of Cassation specified, with reference to Italian Law 68/2015, that the “abusive” situation is not created only by cases involving lack of authorisation, but also by cases in which the authorisations have expired.

On 17 June 2015 the Ministry of the Environment published Circular No. 12422, containing "Further criteria on the methods of applying the rules on integrated prevention and reduction of pollution in the light of the amendments introduced by Italian Legislative Decree No. 46 of 4 March 2014".
The Prime Ministerial Decree of 27 March 2015 establishes the methodological notes and standard needs for Municipalities of ordinary-statute Regions in the fields of roads, transport, management of the territory and the environment (including waste).

Tariff system for waste management services

The 2014 Stability Law established from 1 January 2014 the IUC tax (Imposta Unica Comunale - single municipal tax) comprising: a municipal tax of a capital nature (IMU), a component referring to "indivisible" services (TASI) and the waste tax (TARI) destined to finance the cost of the urban waste collection and disposal service.
The prerequisite for the TARI tax is the ownership or possession of properties susceptible to producing waste and commensurate with the floor surface area of the property. The rates can be reviewed by the municipalities on the basis of service quality standards.
The possibility is reconfirmed for Municipalities to assign the ascertainment and collection, as an exception to Article 52 of Italian Legislative Decree No. 446 of 15 December 1997, to entities that at the date of 30 December 2013 "performed the service of waste management or TARES ascertainment and collection".

Italian Law Decree No. 78 of 19 June 2015, Urgent provisions on territorial entities, was published in the O.J. on 19 June 2015. In particular, among the rules laid down by the Law Decree we can note Art. 7, paragraphs 4 (on extension also to the TARES of the option to entrust controls to the operator of the waste service), 7 (extension of terms on local collection at 31 December 2015), 8 (extension to the consortia of the fiscal benefits already provided for in the case of winding-up of municipal companies) and 9 which adds to Italian Law No. 147 of 27 December 2013 (2014 Stability Law) paragraph 654-*bis*, which states that any lack of revenue from receivables that turn out to be unenforceable, with reference to the environmental health tariff, the integrated environmental tariff, and the municipal tax on waste and services (TARES) should also be considered among the cost components of the TARI .

District Heating Service

With Resolution 411/2014/R/com of 7 August 2014, the Authority for Electricity, Gas and Water Services (AEEGSI) approved the procedure for adopting the measures on the subject of regulation and control in the sector of district heating and district cooling, for the purpose of implementing the provisions of Italian Legislative Decree No. 102 of 4 July 2014, which transposed Directive 2012/27/EU on energy efficiency, that is (Art. 10, paragraph 17): "*The Authority […], with one or more measures to be adopted within twenty-four months from the date on which the present decree comes into force and on the bases of guidance formulated by the Ministry for Economic Development, in order to promote the development of district heating and district cooling and of competition:*
a) defines the standards of continuity, quality and security of the district heating and district cooling service, including plants supplying heat and the related accounting systems […];
b) establishes the criteria for determining the tariffs and connection of users to the district heating network and the methods for exercising the right to disconnect;
c) subject to the provisions in letter e), identifies methods with which the network operators make public the prices for supplying heat, connection and disconnection, the ancillary equipment, for the purpose of cost-benefit analyses on the diffusion of district heating made under the terms of the present Article;
d) identifies reference conditions for connection to the district heating and district cooling networks, in order to encourage the integration of new heat generation units and the recovery of the useful heat available in the local area, in coordination with the measures defined to implement paragraph 5 for exploitation of the economically exploitable potential;
e) establishes the heat sale tariffs, exclusively in cases of new district heating networks if there is an obligation to connect to the district heating network, imposed by Municipalities or Regions."

Again in Resolution 411, the AEEGSI set up an interdepartmental Work Group with the task of performing a first reconnaissance on the actual situation of the sector in question.

Following the reconnaissance made by the Workgroup and taking into account the observations received from the operators in the sector, with Resolution No. 19/2015/R/tlr, the AEEGSI defined the priorities to take into consideration in order to regulate the new sector of district heating, in keeping with the results of the fact-finding investigation carried out.

Energy efficiency

Italian Legislative Decree 102/2014 transposed the New European Directive on Energy Efficiency 2012/27. The decree:

- establishes a framework of measures for the promotion and improvement of energy efficiency which combines to achieve the national energy saving target;
- lays down rules aimed at removing obstacles on the energy market and at overcoming market shortcomings that hold back efficiency in the supply and final uses of energy.

The following articles are particularly significant:

- Article 5. Improvement of the energy performance of properties belonging to the Government (starting from 2014 and up to 2020, energy requalification work will be done on buildings owned by the central Government and occupied by it for at least 3 per cent annually of the usable covered area air conditioned, with Euro 30 million of dedicated financing in the period 2014-2020);
- Article 8. Energy diagnosis and energy management systems (Obligation for large companies to carry out energy diagnosis at sites located in Italy by 5 December 2015 and subsequently every 4 years);
- Article 9. Measurement and invoicing of energy consumption (the AEEGSI will, among other things, have to define the criteria concerning the technical and economic feasibility of supplying individual meters for electricity, gas and district heating users and identify the methods with which the measurement operators provide to final customers "intelligent" individual meters);
- Article 10. Promoting efficiency for heating and cooling (see on this point the paragraph "District Heating Service");
- Article 11. Energy transformation, transmission and distribution (aimed at maximising the energy efficiency of energy transformation, transmission and distribution);
- Article 12. Availability of qualification, accreditation and certification systems (UNI-CEI, in collaboration with CTI and ENEA, prepares technical standards on the subject of energy diagnosis for the residential, industrial, tertiary and transport sectors).

With a communication of 1 July 2015 the Ministry of Economic Development made known that three decrees will soon be published in the Official Journal implementing European directives on the subject of energy efficiency in buildings which come into force on 1 October 2015 and which will define:

- adjustment of the national guidelines for the energy certification of the buildings;
- the methods for compiling the technical project report, for the purposes of applying the prescriptions and minimum energy performance requirements in buildings;
- the methods for calculating energy performance and defining the prescriptions and minimum requirements of buildings.

The first decree will be aimed at defining the new methods for calculating energy performance and the new minimum efficiency requirements for new buildings and those being restored.

The second decree will adjust the formats of the technical project report to the new legislative framework, according to the different types of works: new constructions, significant restorations, energy requalifications.

The third decree will update the guidelines for the certification of the energy performance of buildings (APE). The new APE model will be valid over the whole country and, together with a new scheme commercial announcement model the national energy certificates database (SIAPE), will offer more information on the efficiency of buildings and systems, enabling easier comparison of the energy quality of different property units and orienting the market towards buildings with better energy quality. With the issue of these measures, starting from 1 January 2021 new buildings and those being significantly restored must be built in such a way as to reduce energy consumption to a minimum covering them mostly with the use of renewable sources. For public buildings this deadline will be brought forward to 1 January 2019.

APEE 2014

In June 2014 the APEE (Action Plan for Energy Efficiency) 2014 was approved definitively by the Cabinet, after public consultation. The document, prepared by the ENEA, contains the energy efficiency targets set by Italy to 2020 and the policies activated to achieve them. In particular the Plan proposes to strengthen the already existing measures and instruments and to introduce new mechanisms to overcome the difficulties encountered in certain sectors. Specific attention is paid to describing the new measures introduced with Italian Legislative Decree 102/2014 which transposed Directive 2012/27/EU.
Compared with the APEE 2011 and with the figures up to 2012, up to now the targets for 2016 have been 58.6% achieved.

Green Certificates, Renewable Electricity Source Incentives, Energy Efficiency Certificates and the ETS

Green certificates
On the basis of Art. 11 of Italian Legislative Decree 79/99, producers and importers of electricity generated from non-renewable sources must introduce electricity produced from renewable sources into the network, equal to a portion of the electricity produced from non-renewable and non-cogeneration sources. The mandatory portion, initially set at 2%, in the period 2004-2006 was increased each year by 0.35 percentage points, whereas the annual increase for the period 2007-2012 was established as 0.75% by the 2008 Budget Law.
The obligation may also be fulfilled by purchase on the market and subsequent return to the GSE for cancellation of a corresponding quantity of green certificates; these certificates are attributed to electricity producers on the basis of the electricity production from plants powered by renewable sources which came into operation or were repowered after 1 April 1999 and classified as PPRSs (plants powered by renewable sources) by the GSE.
The eligible period for obtaining recognition of green certificates, initially 8 years, was later extended to 12 years.
The 2008 Budget Law amended the regulation on green certificates, and the term of the recognition period for plants started up after 31 December 2007 was extended to 15 years. Differentiated rates were introduced according to the sources.

The Authority for Electricity and Gas identified 6 June 2013 as the end date for reaching the provisional cumulative annual cost of Euro 6.7 billion for photovoltaic incentives. Therefore, starting from 6 July 2013 the photovoltaic incentive provisions came to an end.
Italian Legislative Decree No. 28 of 3 March 2011, "implementing Directive 2009/28/EC on promoting use of energy from renewable sources, containing amendment and subsequent abrogation of Directives 2001/77/EC and 2003/30/EC" reformed the system of incentives for electricity from renewable sources, stating, among other things, that the current market system based on green certificates (GCs) will be replaced gradually by a feed-in tariff type system.
The decree of the Ministry of Economic Development of 6 July 2012 containing "Incentives for energy from non-photovoltaic electrical renewable sources" (electrical RES MD), which implemented Article 24 of Italian Legislative Decree No. 28 of 3 March 2011, subsequently, in relation to plants encouraged through the recognition of GCs, envisaged for the period subsequent to 2015, conversion into an incentive of the right to GCs according to specific methods defined by the GSE and published on its website.
The publication by the GSE of the methods for converting GCs into incentives, according to the provisions of the Ministerial Decree of 06 July 2012, is therefore expected for the second half of 2015.

The Energy Services Operator (Gestore dei Servizi Energetici – GSE S.p.A.) is responsible for implementing and managing the mechanism, and including the disbursement of the incentives to beneficiaries.

Non-PV RES incentives
The Ministerial Decree of 6 July 2012 establishes the new methods of providing incentives for electricity production from plants powered by non-photovoltaic renewable sources, with power of no less than 1 kW. The incentives envisaged by the decree apply to new-entry plants, fully reconstructed or reactivated plants, those subject to enhancements or upgrading, which come into operation from 1 January 2013.
The Decree also governs the methods with which plants already in operation will transfer from the green certificates mechanism to the new incentive mechanisms starting in 2016.

The Ministry of Economic Development is about to issue the "new RES Ministerial Decree", which, closing the MD of 6 July 2012, will establish the new incentive methods for electricity production for plants powered by renewable sources (other than photovoltaic solar). The structure of the incentive methods should, according to the drafts of the MD currently in circulation, repeat those of the MD of 6 July 2012 (direct access, registers, auctions). Publication in the OJ is expected in September 2015.

Spread Incentives Decree

In November 2014 the Ministry of Economic Development published the decree known as the "Spread Incentives" decree, on the remodulation of incentives for electricity production from non-photovoltaic renewable sources. The decree states that producers of energy from renewable sources, owners of plants that benefit from incentives in the form of green certificates, all-inclusive tariffs or bonus tariffs can choose between 2 options:

a) continue to enjoy the incentive system due for the remaining period of eligibility. In this case, for a period of ten years running from the end of the period of eligibility for the incentive system, work of any kind carried out on the same site does not have the right of access to further incentives, including dedicated Withdrawal and Exchange on site, chargeable to the electricity prices or tariffs;
b) opt for a remodulation of the incentive payable, for which the incentive currently received (all-inclusive tariff or Green Certificate) is reduced extending by 7 years the incentive period. In this case:
   - for work carried out on the same site as the plant for which the remodulation option has been exercised, there is no right of access - up to the end of the new incentive period - to further incentives, with the exception of Dedicated Withdrawal and Exchange On Site (provided that they are compatible with the incentive mechanism enjoyed);
   - the regions and local authorities, each for the part they are responsible for, adjust to the duration of the incentive the validity over time of the permits issued for the construction and operation of the plants.

Owners of plants that benefit from Green Certificates or All-Inclusive Tariffs (Ministerial Decree of 18 December 2008) can choose this option, while the following are excluded:

- plants using renewable sources (other than biomass and biogas up to 1 MW) for which the period of eligibility for incentives ends by 31 December 2014;
- biomass and biogas plants of power of not more than 1 MW, for which the period of eligibility for incentives ends by 31 December 2016;
- plants using renewable sources regulated by Decree of the Ministry of Economic Development of 6 July 2012 (decree on electrical renewable energy source incentives from 1 January 2013, with the exception of plants "in transition");
- plants using renewable sources which still receive the CIP6.

Tax concessions

Tax concessions for energy savings, consisting in amounts deductible from IRPEF (personal income tax) or IRES (business income tax), are permitted when works are completed to increase the energy efficiency level of existing buildings.

A deduction of 65% will apply to expenses incurred from 6 June 2013 to 31 December 2015 for energy performance upgrading works on existing buildings.

It should be remembered that the expense incurred prior to 6 June 2013 benefited from a 55% deduction. From 1 January 2016 a 36% tax benefit is envisaged for property restructuring costs.

Energy efficiency certificates (EECs)

Italian Legislative Decrees 79/99 and 164/00 introduced the obligation for electricity and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end users of energy.

Provision was made for the transfer to Società Gestore dei Servizi Energetici S.p.A. of energy saving evaluation and certification management activities relating to projects presented under the energy efficiency certificate mechanism.

Emission trading system

In accordance with the Kyoto Protocol, from 2008 to 2012 industrialised countries and transition economies are committed to reducing the global emission of greenhouse gases by an overall 5%, compared to the levels for 1990.

The reduction targets, different for each member country, are 8% for the European Union and 6.5% for Italy.

To meet the reduction obligations established by the Kyoto Protocol, Directive 2003/87/EC defined a trading system for the greenhouse gas emission quotas within the European Union, i.e. the “Emission Trading System” (ETS). The Italian law transposing Directive 2003/87/EC is Legislative Decree No. 216 of 4 April 2006.

The Emission Trading System provides that a maximum limit is established for emissions from industrial plants producing greenhouse gas, by allocating each plant (through the National Assignment Plans) a given number of emission quotas, which give the right to emit a corresponding quantity of tonnes of carbon dioxide into the atmosphere during the year to which the quotas refer.

Italian Legislative Decree No. 30 of 13 March 2013 transposed Directive 2009/29/EC into Italian law. This directive introduces new rules for the European ETS (Emission Trading Scheme) for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013-2020.

The decree amends the field of application by defining it more precisely as regards combustion plants and extending the system to gases other than CO2. It also:

- provided for the possibility of excluding small plants;
- introduced the possibility of establishing simplified rules for the monitoring, reporting and checking;
- modified the method of assigning the quotas providing for the quotas to be assigned through auctions. More precisely, for thermoelectric plants and carbon capture and storage plants, assignment is totally by auctioning, except for cogeneration plants which can receive certificates free of charge for heat energy used in district heating.

With the Ministerial Decree of 21 February 2014, the Ministry for Economic Development defined the methods for reimbursing credits payable to operators for ETS quotas due to new-entrant plants for the period 2008-2012 but not released owing to exhaustion of the stock.

Sale of natural gas and electricity

Article 1 of Italian Legislative Decree No. 21 of 21 February 2014 made changes to the Consumer Code implementing Directive 2011/83/EU on consumers' rights, replacing Chapter I, Title III, Part III of the Consumer Code relating to “Consumers' rights in contracts”.

These changes came into force on 13 June 2014 and apply to contracts concluded after that date.

CONCESSIONS AND ASSIGNMENTS

The Iren Group executes services under concessions/assignments in the following sectors:

- Natural gas
- Electricity
- Integrated water service
- Environmental service management

Distribution of natural gas

Genoa area

The natural gas distribution service in the municipality of Genoa and the neighbouring municipalities is carried out by Genova Reti Gas S.r.l. which is 100% owned by Iren Acqua Gas. We can note that the concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadline for launching which is specified in the paragraph above “Gas distribution”.

Emilia Romagna area

The natural gas distribution service in the Emilia provinces is managed by Iren Emilia S.p.A. These assignments are currently operating under the extended regime pending the launch of public invitations to tender.

Other geographical areas

The Iren Group also operates in numerous other entities throughout Italy through assignments or concessions given to mixed capital companies in which IREN Group companies have a direct or indirect investment.

These concessions are currently operating under the extended regime pending the launch of public invitations to tender.

The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (21.32% controlled by the G.P.O. Consortium of which IREN Emilia holds 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expiring 31 December 2010;
- Municipality of Vercelli - ATENA S.p.A. (of which IREN Emilia holds 40%): assigned in 1999 expiring 31 December 2010;
- Province of Livorno - ASA S.p.A. (40% owned by AGA S.p.A., 99.64% controlled by IREN Emilia): Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo – expiring 31 December 2010.

Natural gas sales

In accordance with the provisions of the "Letta" Decree on the subject of unbundling, the IREN Group carries on the business of selling natural gas mainly through Iren Mercato - which also sells electricity.

This activity is also carried out through direct or indirect investment in vendor companies including:

- Gea Commerciale S.p.A. and Salerno Energia Vendite S.r.l. for the Grosseto area and for Central Southern Italy;
- Astea Energia S.r.l. for the Marche area;
- Atena Trading S.r.l. for the Vercelli area.

Electricity sector

AEM Torino Distribuzione manages the public service of electricity distribution in the City of Turin on the basis of a ministerial concession. This concession expires on 31 December 2030. AEM Torino Distribuzione S.p.A. also distributes electricity in the Municipality of Parma, with the same expiry date.

Through its local business combinations, the Iren Group distributes Electrical Energy in the following main areas:

- Vercelli area, with ATENA S.p.A.
- Marche area, with ASTEA S.p.A.;

District heating sector

The district heating distribution service in the municipalities of Turin and Moncalieri, from 1 July 2014 has been managed by Iren Energia as a result of the spin-off of the heat distribution unit of the City of Turin of AES Torino.

With an agreement dated 29 December 2008, the municipality of Nichelino (Turin) assigned the concession for use of the public soil and subsoil for the laying of networks, plants and infrastructures for the district heating service for a period of 30 years, to the Temporary Association of Companies established between IREN Energia S.p.A., IREN Mercato S.p.A. and AES Torino S.p.A., which together established Nichelino Energia S.r.l., currently 100% controlled by Iren Energia.

Besides the existing assignment of the distribution of district heating in the city of Turin on the basis of the Framework Agreement signed with the Municipality, Iren Energia acquired an equity investment in the company Asti Energia Calore, incorporated on 18 May 2015, to which the district heating service in the city of Asti is assigned in sub-concession.

Integrated Water Service

Genoa area
Iren Acqua Gas holds the management assignment for the integrated water service in the 67 municipalities of the province of Genoa, serving a total of 880,000 residents. The assignment was granted by Decision No. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.
The integrated water service in the territory of the Municipalities of the Province of Genoa is managed by Iren Acqua Gas through the safeguarded operators. The authorised and/or safeguarded companies of the IREN Group that perform the function of operator are Mediterranea delle Acque S.p.A. (60% controlled by IREN Acqua Gas), IdroTigullio S.p.A. (66.55% controlled by Mediterranea delle Acque S.p.A.) and AMTER S.p.A. (49% owned by Mediterranea delle Acque S.p.A.).

On 23 April 2015 the business unit made up of the set of assets and the related legal relationships regarding the drinking water distribution activity in the Municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoan ATO and the integrated water service in the Municipality of Bolano in the Province of La Spezia was sold, with effect from 1 July 2015, by Acque Potabili S.p.A. to Iren Acqua Gas S.p.A.

At the same time, with a deed dated 19 June 2015 and with effect from 1 July 2015 the company Acque Potabili S.p.A. sold to Iren Acqua Gas S.p.A., at the conditions provided for in the deed of sale, the equity investment held in the company Acquedotto di Savona S.p.A. representing 100% of the share capital of the same.

Emilia Romagna area
The IREN Group provides the Integrated Water Service on the basis of specific assignments granted by the respective Local Authorities, governed by agreements signed with the competent ATOs.
Based on the laws of the Emilia Romagna Region, water service Agreements provide for 10-year assignments, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal to private entities of 35% of the AMPS capital by the municipality of Parma in 2000 through a public offering.
The Integrated Water Services in the Parma, Piacenza and Reggio Emilia ATOs is managed by IREN Acqua Gas. The latter uses Iren Emilia premises for its operations.
Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a rental contract and against the payment of a fee.

The table below contains details of existing agreements in the Group's area of operations.

ATO	REGIME	SIGNING DATE	EXPIRY DATE
Genoa area	ATO/operator agreement	16.04.2004/5.10.2009	31 December 2032
Reggio Emilia	ATO/operator agreement	30 June 2003	31 December 2011 (*)
Parma	ATO/operator agreement	27 December 2004	31 December 2025
Piacenza	ATO/operator agreement	20 December 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

Other geographical areas

The IREN Group also operates in the Integrated Water Service sector in other parts of Italy through assignments or concessions given to mixed capital companies in which it has a direct or indirect investment. The main assignments and concessions are:

- Tuscana Coast ATO – ASA S.p.A. (40% owned by AGA S.p.A. which is 99.64% controlled by IREN Emilia) integrated water service in the Municipality of Livorno and other municipalities in the Province;
- Central Marche Territorial Area, Macerata (ATO3) - ASTEA S.p.A. (21.32% owned by Consorzio GPO which is in turn 62.35% controlled by IREN Emilia) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Biella-Casale-Vercelli ATO: ATENA S.p.A. (40% owned by IREN Emilia) for the Vercelli area;
- Municipality of Ventimiglia: AIGA S.p.A. (49% owned by IREN Acqua Gas);
- Municipality of Imperia: AMAT S.p.A. (48% owned by IREN Acqua Gas);
- Alessandria ATO: ACOS S.p.A. (25% owned by Iren Emilia) for the Municipality of Novi Ligure;
- Cuneo ATO: Mondo Acqua S.p.A. (38.5% owned by IREN Acqua Gas) – manages the Municipality of Mondovì and 7 other Municipalities in the Cuneo area.

Waste Management segment

The Iren Group provides waste management services on the basis of specific service assignments from the Local Authorities, governed by agreements signed with the provincial ATOs.
The table below contains details of existing agreements in the Group's area of operations.

ATO	REGIME	SIGNING DATE	EXPIRY DATE
Reggio Emilia	ATO/operator agreement	10 June 2004	31 December 2011 (*)
Parma	ATO/operator agreement	27 December 2004	31 December 2014 (*)
Piacenza	ATO agreement/operator	18 May 2004	31 December 2011 (*)
Turin	ATO/operator agreement	21 December 2012	30 April 2033 (*)

(*) Service extended until new agreements are defined
(**) the term is 20 years running from the end of provisional operation of the Waste-to-energy plant of TRM S.p.A.

In a temporary grouping of companies with F2i and ACEA Pinerolese, the Iren Group was awarded the tender offer launched by the city of Turin in 2012 for the sale of 80% of the share capital of TRM S.p.A. and 49% of AMIAT S.p.A. (the stake is currently 80% following a further acquisition of 31% from Municipality of Turin at the end of 2014).
Two SPVs were set up for the purchase of investments (TRM V and AMIAT V). The company TLR V. was also set up; the absolute majority shareholder is Iren Energia S.p.A., for the creation of the infrastructural

and commercial district heating system between the waste-to-energy plant and the district heating operators of the Municipality of Grugliasco and Beinasco.
TRM is the company that built the Turin waste-to-energy plant and is responsible for waste disposal for the city and for municipalities in Turin province.
AMIAT is the company responsible for waste collection and transport in Turin.

Services provided to the Municipality of Turin

On 31 October 2006, Iren Servizi e Innovazione took over the following from AEM Torino S.p.A.:

- the agreement signed with the Municipality of Turin for the assignment of street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- the management services assignment for the municipal heating plants, expiring on 31 December 2014;
- the management services assignment for the electrical and special systems in municipal buildings, expiring on 31 December 2014.

By a resolution of 3 November 2010, the Turin City Council decided to assign service agreements to Iren Servizi e Innovazione for the thermal plants and electrical and special systems for municipal buildings until 31 December 2017.
By resolution of 27 November 2012, the Municipal Council of Turin extended the assignment of these service agreements to 31 December 2020.

FINANCIAL INCOME AND EXPENSE

Reference scenario

During the first half of 2015 the downward trend of interest rates, which has characterised all of 2014, remained for the short-term part of the rate curve, while the medium/long-term part saw a turnaround in a context of great volatility. The European Central Bank did not intervene with changes in the base rate which remained at 0.05%.

Examining the trend in the six-month Euribor rate we can note that the parameter continued on the trend of slow but progressive decline to the current minimum levels of 0.05%. The quotations of fixed rates, reflected in the figures for the IRS at 5 and 10 years, after a long period of decline which led to new record lows in April, recorded an inversion of the trend with rising rates.

Activities performed

During the first half of 2015, activities aimed at consolidating the financial structure of the Iren Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of indebtedness as a result of carrying out the investment programme, the development of working capital and the balance of short-term and long-term sources.

The organisational model adopted by the Iren Group, with the goal of financial optimisation of all Group companies, provides for Iren's centralisation of treasury management, medium/long-term loans management and financial risk monitoring and management. Iren has relations with the leading Italian and international banks, for the purpose of locating the types of loans best suited to its needs, and the best market conditions.

Moving on to discuss in detail the financing transactions completed in the first half of 2015, we can note that new medium/long-term loans were finalised for a total of Euro 250 million. To be precise, in January a new loan with Cassa Depositi e Prestiti for Euro 100 million was agreed and used and in May two new loans were agreed and then used respectively with Banca Intesa for Euro 50 million and with Mediobanca for Euro 50 million. In January a tranche of Euro 50 million of a bank loan already agreed at the end of 2014 was also used, while the direct loan with European Investment Bank of Euro 150 million, term up to 15 years, agreed in December 2014 remains unused and entirely available.

The new loans were specifically granted in support of the investment programme and make it possible to maintain a proper balance between the Group's short and long term financial exposure.

The Iren Group is exposed to various types of financial risks, including liquidity risk, interest rate risk, and currency risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit such risks. Further information can be found in the paragraph "Group Financial Risk Management" in the Notes to the Financial Statements.

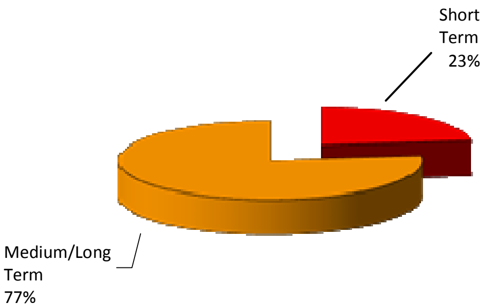
In the first half of 2015 two new Interest Rate Swap contracts were signed hedging a total of Euro 100 million of debt, with maturities at 2019-2020.

In July in addition a further Interest Rate Swap contract was signed hedging Euro 50 million of debt with maturities at 2027 and effects starting from December 2016.

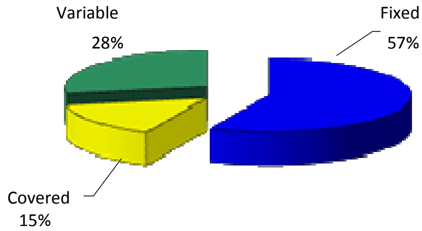
At 30 June 2015, the portion of floating rate debt not hedged by Interest Rate Swap derivatives was 25% of consolidated gross financial debt and 3% of the consolidated net financial debt, in line with the objective of the Iren Group which is to maintain a balance between fixed and floating interest rate positions or in any event protected from significant increases in interest rates.

Gross financial indebtedness by maturity

Gross financial indebtedness by rate type



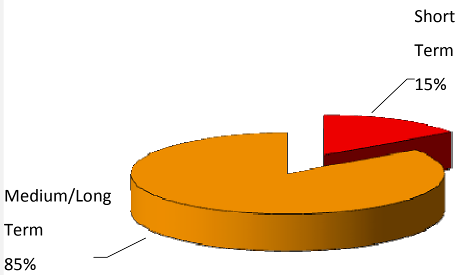
Situation at 31/12/2014

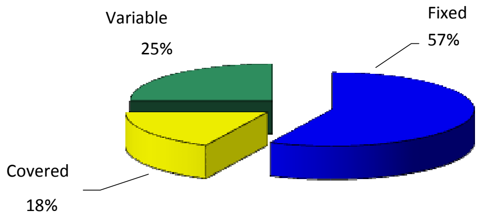


Euro 2,875 million

Euro 2,875 million

Situation at 30/06/2015





Euro 2,795 million

Euro 2,795 million

TRANSACTIONS WITH RELATED PARTIES

On 13 March 2015 the Board of Directors of Iren, with the opinion in favour of the Transactions with Related Parties Committee, adopted a new version of the "Internal Regulation on Transactions with Related Parties", (already approved on 30 November 2010 and amended on 6 February and 3 December 2013) in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance" or CLF);
- the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the "Consob Regulation").

The Company and its subsidiaries disclose related party transactions in accordance with transparency and fairness principles. A good part of these relations concern services provided to the customers in general (gas, water, electricity, heat, technological services in general, etc.) and are governed by contract rules normally applicable to these situations.
Where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

RISKS AND UNCERTAINTIES

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect. The Enterprise Risk Management model operative within the Group includes the methodological approach to integrated identification, assessment and management of the Group risks.
For each of the following risk types:

- Financial Risks (liquidity, interest rate, exchange rate);
- Credit Risks;
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity and gas, and to the hedging derivative markets;
- Operational risks, attributable to asset ownership, involvement in business activities, processes, procedures and information flows.

specific "policies" have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of the related risks. The Group's Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Committees to manage financial, credit and energy risks.
As the Iren Group pays particular attention also to maintaining trust and a positive image of the Group, the Enterprise Risk Management model manages also "reputational risks", which relate to the impacts on stakeholders of any malpractices.
The "Risk Management" department, reporting to the Deputy Chairman, was set up within the Holding. This department is formally entrusted with the following activities:

- coordinating the process for integrated management of the Group's risks;
- assessing the Group's insurance needs, designing programmes, signing and managing policies, with the collaboration of the Legal Unit.

A periodic assessment process is also in place with regard to adverse events in the various sectors and across all the Group's areas in order to circumstantiate their causes and implement the most suitable methods for preventing and/or limiting the impacts of the events.

Details of the active management methods within the Group are provided below for the different types of risk.

1. FINANCIAL RISKS

Iren Group activity is exposed to various types of financial risks, including liquidity risk, currency risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit currency risk and interest rate risk.

a) Liquidity risk
Liquidity risk is the risk that the financial resources available to the company will be insufficient to cover financial and commercial commitments in accordance with the agreed terms and deadlines.
The procurement of financial resources was centralised in order to optimise their use. Specifically, the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collection and payments within the Iren current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense.
A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
For a more detailed analysis of this risk, reference should be made to the paragraph "Management of the Group Financial Risks" in the notes to the consolidated financial statements.

b) Exchange rate risk

Except as indicated under the section on energy risk, the Iren Group is not significantly exposed to exchange rate risk.

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. The IREN Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.
Compliance with the limits imposed by the policy are verified during the Financial Risk Committee meetings with regard to the main metrics, together with analysis of the market situation, interest rate trends, the value of hedges and confirmation that the conditions established in covenants have been met.
For a more detailed analysis of this risk, reference should be made to the paragraph "Management of the Group Financial Risks" in the notes to the consolidated financial statements.

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of water and environmental services. The receivables show no particular concentration since the exposure is spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public entities).
In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects the current unfavourable economic and financial situation.
To limit exposure to credit risk, a number of tools have been introduced and identified. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes.
The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.
Credit risk is covered, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing.
An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, "protected customer" electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.
The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.
Provisions set aside for impairment of receivables accurately reflect the effective credit risk through assessments based on analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses on receivables and determination of the average non-payment rate.

In view of the continuing unfavourable economic situation, the control over credit risks has been improved by strengthening the monitoring and reporting procedures, in order to promptly identify possible countermeasures .
In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data on trade receivables of the Group companies, in terms of customers, business chain and ageing band. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

3. ENERGY RISK

The Iren Group is exposed to price risk, including the related currency risk, on the energy commodities traded, (that is electricity, natural gas, coal, etc.) as both purchases and sales are impacted by price fluctuations directly or through indexing formulae.
The Group's strategy is to minimise the need to turn to the financial markets for hedges, both by aligning the indexing of the commodities purchased and sold and by exploiting, vertically and horizontally, its various business segments.
For this purpose, the Group carries out planning of its plants production and purchases of electricity, with the aim of balancing energy self-production and market supply with the demand of Group customers.
For a more detailed analysis of this risk, reference should be made to the paragraph “Management of the Group Financial Risks” in the notes to the condensed consolidated interim financial statements.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already noted in the previous paragraphs, may influence achievement of the targets, i.e. relating to the effectiveness and efficiency of business transactions, levels of performance, profitability and protection of the resources against losses.
The Group's Enterprise Risk Management model has as its objective the integrated and synergistic management of risks.
The process of managing the Group's risks entails that, for each business line and operating area, the activities performed are analysed and the main risk factors connected with achievement of the objectives are identified. Following the identification activity, the risks are assessed qualitatively and quantitatively (in terms of magnitude and probability of occurrence), thus making it possible to identify the most significant risks. The analysis also involves an assessment of the current and prospective level of control of the risk, monitored by means of specific key risk indicators.
The above stages make it possible to structure specific treatment plans for each risk factor.
Along all the management phases, each risk is subjected on a continuous basis to a process of control and monitoring, which checks whether the treatment activities approved and planned have been correctly and effectively implemented, and whether any new operational risks have arisen. The process of managing operational risks is associated with a comprehensive and structured reporting system for presenting the results of the risk measurement and management activity.
Each process stage is performed in accordance with standards and references defined at Group level.
The Group’s risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, credit and energy risks.
The risk reporting is sent to the top management and to the risk owners, who are involved in the management activity.
The risk analysis also supports the preparation of planning tools.
Of particular note are:

a. Legal and regulatory risks

The legislative and regulatory framework is subject to possible future changes, and therefore is a potential risk. In this regard a Holding Department has been set up, reporting directly to the Chief Executive Officer, and dedicated to continual monitoring of the relevant legislation and regulations in order to assess their implications, guaranteeing their correct application in the Group.

b. Plant-related risks

As regards the amount of the Group's production assets, plant-related risks are managed with the approach described above in order to correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.).
For the most important plants the Risk Management department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and consequent preventive action.
The risk is also covered by insurance policies designed considering the situation of the single plants.

c . IT Risks

The main operational IT risks are related to the availability of core systems which regard accounting operational management and invoicing processes and the energy commodity trading platforms. The Iren Group is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.

To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures ("Disaster recovery"), which are periodically subject to simulations, to ensure their effectiveness.

The operational risk management process also aims at optimising the Group's insurance programmes.

5. STRATEGIC RISKS

The Iren Group has adopted a Business Plan with a time horizon at 2020 which defines its strategic orientations. It is articulated according to the following macro-drivers which determine its targets for economic, capital and financial figures:

- making the Group's organisation and processes more efficient;
- development;
- consolidation of the regulated sectors (renewal of concessions: hydroelectric, gas distribution, integrated water service and environmental sector);
- non-recurring operations.

in application of the Group's policies, the said Plan was subjected to a risk assessment carried out by the Risk Management Department and to the related stress tests, which have shown the substantial resistance including in the face of adverse events characterised by specific sensitivities.

ORGANISATION AND IT SYSTEMS

Organisation

Starting from 01 January 2015 the Iren Group companies were involved in a number of reorganisation projects that saw a strong commitment of the new Governance with the objective of strengthening the unitary nature of Group governance and identifying clearly the main activities and responsibilities related to each structure ensuring a rapid and real integration process, indispensable for tackling the challenges of the Market.
Four Departments, called Business Units (BUs) were also set up, to coordinate and guide the Companies operating in the respective market sectors, reporting to the Parent Company's Chief Executive Officer.
The Parent Company's organisation was involved in a first rationalisation project which, from 01 January 2015, entailed a simplification of the head office departments.
From the same date the hierarchical structure of all the Departments and staff organisational Units of all the first level companies and subsidiaries were defined by the head office Departments.
On 1 February 2015 the Organisational Units of the various Parent Company Departments were created, the activities and responsibilities of all the structures were defined and the complete staff structure of Iren SpA was published. 422 new resources from the Group's various first-level companies and subsidiaries were absorbed into this by secondment, in keeping with the centralised activities. Iren SpA's staff structure in force at 1 February thus consisted of 784 people.

Starting from March the organisation of the first-level companies was also redefined, presenting the staff structures by Business Unit and defining the activities and responsibilities of the said companies' structures.
It was also decided to begin a review of the processes, structures and systems at the single BU level to revise their organisation, assessing also the opportunity for further combinations – mergers between companies, and revision of the business model.

Information Technology

At the beginning of 2015, in keeping with the new organisational model, the Plan of the Iren Group's Information Systems, defining the lines of evolution and the planning initiatives, collaborating in the preparation of the Business Plan.

During the first half of 2015 the first stage of the project to revise and integrate the systems in support of the administrative/accounting and management control area processes was completed.
At the end of June a new transactional environment common to the main Group companies was launched together with a single treasury management system enabling the adoption of the new centralised single treasury model at Iren SpA. Development of the new Enterprise Performance Management (EPM) platform also continued. This platform is to manage the Planning, Budgeting, Forecasting, Monthly Closure Consolidation, Quarterly Pre-Closure, Final Accounting and Reporting processes.
The overall programme, called *IrenOne*, provides for a second "go–live" moment for the new transactional environment at 1 January 2016, with which will complete the unification of the Corporate systems for all the Group companies.

As regards support for managing the Group's customers, which will constitute an area of great commitment in the second half of 2015, work continued on developing two applications related to customer service in the environmental and sundry services sectors.
In particular, the first, EcoIren, is aimed at providing information on collection (in particular separated collection) in the Provinces of Parma, Reggio Emilia and Piacenza providing information on the methods for disposing of the single waste components, on the locations of collection points and information centres, making it possible also to book the collection of large items and to find out, for each area according to the specific features of the single collection zones, the collection days for each kind of waste.

The second, ClickIren, is an application that enables the Iren Group's customers to have in mobility information on their supply contracts with the Group Companies, to display the invoices seeing the payment status and to be able to make further service requests.

As regards initiatives to automate the workforce in mobility we can note also the recent diffusion of the Work Force Management system in support of the electricity distribution maintenance activities in the Parma area.

With reference to infrastructures various consolidation and rationalisation initiatives were launched, for example on videoconference and Wi-Fi systems.

RESEARCH AND DEVELOPMENT

In the IREN Group technological innovation is central in strategic decisions and in defining the products and services offered by the Group.
The Business Plan to 2020 approved by the Board of Directors of IREN S.p.A. on 17 June 2015 provides for the implementation of an open innovation model which is intended to be: operation, covering all the businesses and focused on achieving the objectives of increasing efficiency, improving service quality and creating development opportunities, in order to anticipate people's, customers' and communities' new needs.

In particular, the IREN Group is investing in terms of research, development and innovation to optimise and improve operating applications and to introduce technological innovation into its processes and products. The Business Plan to 2020 envisages that approximately 25% of total operating investments will be dedicated to investments with innovative characteristics (approximately 3% of accumulated revenue).

The main research, development and innovation lines on which the IREN Group is investing regard:

- advanced remote management, remote reading and multi-metering systems;
- thermal storage systems and trials of electricity storage systems;
- electrical smart grid;
- systems for producing energy from renewable energy or waste;
- “customer empowering” tools;
- Internet of Things (“IoT”) and domotics;
- "data intelligence" tools;
- plant engineering solutions for pre-treatment of waste and extraction of organic and recyclable materials.

IREN intends to manage the innovation processes through an open innovation model and in keeping with this model it has begun fruitful collaborations with Universities, Research Centres, Innovation Hubs and innovative Start-ups. In addition it takes an active part in working groups and associations on specific research and development and promotes events such as conferences, workshops and hackathons.

To supervise Innovation, from the beginning of 2015 IREN has put in place a corporate structure (Internationalisation and Innovation Department) with the task of promoting and coordinating research and development projects within the Group, including the management of financed research projects.
As regards these latter, the financial research projects in progress and the proposals presented by the Group in progress in the period are illustrated below.

FINANCED RESEARCH PROJECTS IN PROGRESS

WATER SERVICES

BlueSCities (Horizon 2020 Programme)
Since last February IREN has taken part in the BlueSCities project financed under H2020; this involves defining a “practical guide” to be applied in the efficient management of the integrated water service and of waste in urban areas. The project intends to develop a method of managing the water and waste segments, identifying the possible synergies and integrating the use of technological hubs used in the smart management of other priority areas such as energy, transport and ICT.

Partners: IREN Acqua Gas, Fundacio CTM Centre Tecnologic, KWR Water B.V., Joint Research Centre, VTT teknologia Tutkimuskeskus, Redinn srl, De Montfort University, University of Istanbul, Strane Innovation, Easton Consult, Ticass, University of Athens.
Status: the project is at the sixth month of activity and IREN is involved in the development activity of the practical guide for the stakeholders involved.

Geosmartcity (FP7)
The objective of the GeoSmartCity project is to develop a platform for the rational management of subsoil data from various sources, capable of integrating different operating protocols and current standards, namely the services of the Open Geospatial Consortium (OGC), the rules for implementing the INSPIRE Directive (2007/2/EC) and linked-data technologies.

Partners: IREN Acqua Gas, Gisig, Sinergis srl, Intergraph CS SRO, Asplan Viak Internet AS, Epsilon Italia, Trabajos Catasrales S.A., Municipality of Genoa, Ticass, Turun Ammattikorkeakoulu, Epsilon International, Vlaamse Milieumaatschappij, Geobid SP Zoo, Universitat de Girona, Municipality of Reggio Emilia, Municipia Oeiras, Urban Data Management Society.

Status: the project is currently approximately halfway through its duration (three years) and a pilot development is planned soon in Genoa in which the Municipality will tackle the subject of interoperability of its land register and IREN will carry out services in the field with a total station with automatic error correction and restitution in the corporate information system.

SmartWaterTech (MEUR - Ministry of Education, Universities and Research)
The project arises from the merger of two project ideas WATERTECH and SMART WATER presented under the MEUR Smart Cities tender with a view to offering a more robust analysis of the integrated water service, aiming both to manage problems related to water distribution networks, and to apply innovative models and technologies for treating waste water.

Partners: IREN Acqua Gas, Mediterranea delle Acque, ABC, Acquedotto Pugliese, Aster, CAE, Digimat, Fast, Foxbit, Icampus, International University College, University of Bologna, University of Naples Federico II, University of Palermo, University of Trento, Irea-CNR.

Status: the project is currently awaiting the resolution of the MEUR with which the new classification will be published enabling the resumption of activities in the Provinces of Genoa and Parma.

TRUST – TRansition to the Urban water Services of Tomorrow (FP7)
The project is aimed at defining strategies and good practices for managing urban water services with low environmental impact. The purpose of the project is to rethink water services in cities, with a view to environmental sustainability, making them more efficient, precisely because the resource water is destined in future to become increasingly precious.

Partners: besides IREN the partners in the project comprise 30 research institutes, universities and utilities from the main European countries.

Status: the project was completed during the first half of the year; its follow-up involves application of the methods developed to the territories managed by the IREN Group Companies in the context of collaboration being formalised with the University of Bologna.

ENVIRONMENT

Biometh-ER (Life+)
The aim of this project is to create the first plants for the production and distribution of biomethane to end users in Italy. The plants will be designed, managed and maintained around innovative, state-of-the-art technologies; the entire system will be monitored for the duration of the project and the operating results of the pilot plants will then be examined and disclosed to the project partners involved. These plants represent a departure point for assessment of the expansion capacity of this experiment to all of the Emilia Romagna Region and for the creation of the regional biomethane distribution network.

Partners: IREN Rinnovabili, Centro Ricerche Produzioni Animali - C.R.P.A. S.p.A., Herambiente S.p.A., SOL S.p.A.

Status: the amendment accepted during the first half of 2015 led to a change in the technological partner of the project. As regards the pilot project which IREN must carry out, we are proceeding with the authorisation request necessary to exploit biogas and use of the area where the system is installed. SOL S.p.A is the partner for the supply of the biogas upgrade system.

ENERGY

CELSIUS (FP7)

The project is aimed at increasing energy efficiency in high-density urban areas by recovering the heat produced by various emission sources. Each city has been given the task of producing a pilot plant to create and verify a particular method of obtaining increased energy efficiency. Specifically the demonstrator for which IREN is responsible, through the subsidiary Genova Reti Gas, aims at achieving energy recovery using the pressure jump of the natural gas distribution network to produce electricity and heat for a small district heating network.

Partners: 20 organisations in 5 European partner cities (London, Gothenburg, Cologne, Rotterdam, Genoa).

Status: the project lasts for 48 months. As of today the first year of the project has come to an end, downstream of which a first audit has been carried out by the European Commission.

DIMMER – District Information Modelling and Management for Energy Reduction (FP7 program)

The DIMMER project consists of developing effective web interfaces that provide real-time feedback on the energy impact of user behaviour at district level. In particular the Italian demonstrator will be located in Turin (Polytechnic district) and will be focused on software systems capable of optimising heat supply for district heating and assessing in real time the efficiency of heat exchangers.

Partners: IREN, Turin Polytechnic, CSI, Turin University, Manchester University, sponsored by the Municipality of Turin, Italian and European SMEs.

Status: 2015 is the second year of the project and IREN's main focus relates to activation of the pilot in the buildings identified through the installation of sensors and the testing of software for the advanced management of district heating substations.

EDEN – Energy Data ENgagement (POR/FESR Piedmont Region 2007-2013)

The EDEN project provides for the development of a system for optimised analysis and management of energy consumption (heating) at three schools in the Municipality of Turin; besides the more technical aspects, the project provides for an energy education, gamification and user engagement system at the level of students, professors and parents at the chosen schools.

Partners: IREN, Turin Polytechnic, Commitworld, CSP, ISMB, Capetti Elettronica, TOP-IX, Experientia, Sisvel.

Status: the first half of 2015 was characterised by the launch of activities in both the indoor pilot site (the three primary schools) and the outdoor site (intelligent lampposts). The project also received a prize during Smart Communities at SMAU Turin 2015.

EMPOWERING (Intelligent Energy Europe program)

The project intends to provide effective and easily-consultable tools to end users for energy saving; in particular additional information will be proposed to 2,000 electricity users and 1,100 district heating users (in Turin and Reggio Emilia) through an “intelligent bill” and an online tool on the websites of the participating Utilities.

Partners: IREN, Turin Polytechnic, Municipality of Reggio Emilia, Danish, French and Spanish utility providers, Italian and European SMEs.

Status: the first half of 2015 was characterised by completion of the activities of the electrical and thermal pilots (Turin and Reggio Emilia), which now have the Empowering services fully implemented.

FABRIC - FeAsiBility analysis and development of on-Road chargIng solutions for future electric vehicles (FP7 program)

The project relates to the development of a charging system for on-road electric vehicles by means of induction coils sunk into the concrete road surface. The project provides for 3 demonstration sites, of which one in the Province of Turin in the SITAF area of the Turin-Bardonecchia motorway.

Partners: IREN, Turin Polytechnic, FIAT, Pininfarina, Energrid and Scania Nissan research centres, other international industrial partners, Italian and European SMEs.

Status: the first half of 2015 was characterised by identification/study, in close contact with the other partners of the project, of the activities and changes necessary to the electrical systems for testing recharging and induction devices in the field.

FLEXMETER (Horizon 2020 Programme)
The idea of the project is to analyse the possibility of a system of multi-service smart meters (with focus on electricity meters) underpinning a single platform for collecting and transmitting data (in analogy with what was requested by the AEEG in Resolution 393/2013). The project will also analyse the possibilities offered by the NIALM methodologies on analyses of disaggregated electricity consumption .

Partners: IREN, Turin Polytechnic, E-On, University of Grenoble, Siveco, University of Bucharest, Telecom Italia, University of Bologna, ST Microelectronics.
Status: in the first half of 2015 the project was launched and the main activities are focused on defining the pilots and use-cases.

HOLIDES - Holistic Human Factors and System Design of Adaptive Cooperative Human-Machine Systems (ARTEMIS)
The project has the objective of developing a technological platform which would make it possible to take into consideration human factors, that is the way in which people interact with complex technologies, right from the first stages of design and development of adaptive cooperative systems at different levels of automation. The platform will be tested through the development of applications in 4 different domains industrial (Avionics, Medical, Control Rooms and Automobiles), which are characterised by a high level of complexity from the point of view of safety.

Partners: 31 project partners from 7 different European countries, including: IREN, Fiat Research Centre, Lufthansa Flight Training – CST Gmb, HATOS, Philips, Honeywell International s.r.o., EADS Innovation Works France, University of Turin, Brno University of Technology, OFFIS e.V.
Status: The project involved the start of development of the software application, aimed at assisting the IREN control room in managing emergency calls. A focus group was set up between IREN technicians and software developers with a view to coordinated development.

NRG4Cast – Energy Forecasting (FP7)
A demonstration pilot set up in cooperation with European universities and CSI-Piemonte to improve public building energy efficiency in an urban context. Through the building and function testing of an IT system (software and hardware platform) a system will be made available to forecast energy needs via a Web SoA application.
Partners: IREN, JSI, FIR, CSI PIEMONTE, Envigence, NTUA, KAPE-CRES, SINGULARLOGIC S.A.
Status: the prototype of the software involved in the project was presented at the time of the European Commission revision. The project, which will end in November 2015, has entered the stage of development of the business model and dissemination.

PROBIS – Procurement of Building Innovative Solutions (Framework Programme for Competitiveness and Innovation – CIP)
The PROBIS project is concerned with redefining all the stages of an innovation contract, from identifying the requirements and needs (on the basis of what will be the pilot to be created), to dialogue with the market, to the functional performance specifications, to the reward criteria, up to the purely legal and legislative aspects that an innovation contract must have and preparation of the related documentation and contractual forms.

Partners: IREN, Turin Environment Park, Agencia Andalusa de l'Energia, Institut Andaluzo de Technologia, SP Technical Research Institute of Sweden, Lombardy Region, The European House Ambrosetti Spl, Nemzeti Innovacios Hivital, Miskolk Holding Önkormányzati Vagyonkezelö Zártkörüen Müködö Részvénytársasá, Borlänge Kommun.
Status: after completion of the stage of describing the energy needs and proposals for making the building involved in the pilot more efficient, which led to the preparation of a prospectus, the stage of meeting with the market to identify the best and most innovative technologies available with a view to energy savings.

PRO-LITE – Procuring Lighting Innovation and Technology in Europe (Framework Programme for Competitiveness and Innovation – CIP)

The project is intended to make use of the lever of public demand to stimulate innovation in the public lighting market. For this purpose the following activities are planned:

- demand analysis;
- early market engagement activity (market analysis);
- preparation of the tender documentation (with particular attention to developing the specifications in functional terms and to assessment criteria);
- study of contractual forms (risk management), launch of the tendering procedure, procurement.

Partners: IREN, Greater London Authority - Transport for London, City of Bremen, Ente Vasco de la Energia, CONSIP, PIANO

Status: The first half of 2015 was characterised by drafting and preparing the contract tender documents (technical and performance documents). These documents are being delivered to the competent office.

TRIBUTE – Take the energy bill back to the promised building performance (FP7)

The project has the objective of optimising systems to monitor energy consumption metering systems, integrating these with advanced energy management functions and building planning and control tools, with a particular focus on the impact of user habits on final consumption.

Partners: the project arose from a strong industrial partnership made up of 16 different entities (led by CSEM – Swiss Centre for Electronics and Microtechnics and with the presence of IBM and Schneider Electrics). The City of Turin and the Turin Polytechnic are also in the partnership.

Status: the necessary sensors have been installed and a complete analysis of the energy consumption of the project pilot has been carried out. In addition the software system for sampling and transmitting the data to the relevant partners has been developed.

PROPOSALS PRESENTED IN THE FIRST HALF OF 2015

The project ideas proposed by IREN in the first half of 2015, in the context of calls for research and innovation funding proposals, are illustrated below

COLORS (Horizon 2020 – SCC1 Lighthouse), under assessment (submitted on 05/05/2015)

Iren took part in the proposal proposing a testing area coinciding with the city centre and the "San Salvario" district. The idea is to define in this area a set of coherent actions in the field of energy efficiency of buildings, district heating, mobility and the urban infrastructure.

IREN will focus on the "Nearly Zero Energy District" thanks to the expansion of district heating in the northern part of San Salvario through a storage system (3,000 m^3) which will make it possible to overcome the current network congestions which would not enable a further expansion of district heating in this area without the construction of a new heat production station.

IREN will also contribute to the project with 20 intelligent lampposts for dimming, with intelligent sensors and monitoring systems for smart lighting.

IREN will also test the multi-metering solution proposed in the call for tenders of AEEGSI Resolution 393/2013/R/gas (testing then suspended owing to the withdrawal of Snam Retegas-Italgas). The system of concentrators and the infrastructure will be those installed in 3,500 thermal district heating substations.

DENDRITES (Horizon 2020 – EE-13-2015), under assessment (submitted on 04/06/2015)

DENDRITES has as its objective the development and demonstration of innovative heat storage solutions with high energy density, based on Phase Changing Materials (PCMs), at the level of single buildings connected to the district heating network.

The system will guarantee a significant reduction of primary energy consumed, an increase in the reliability of the system and an increase in the spare energy capacity to connect further users to the district heating network.

This innovative heat storage system has all the characteristics to become an industrial product, as is a series of hardware and software components related to it which will be developed in the project.

EASIER (Horizon 2020 – SCC1 Lighthouse), under assessment (submitted on 05/05/2015)
A demonstrator project which will involve the population with integrated solutions in the cities of Genoa, Antwerp and Gothenburg including technological hubs applied to the district heating plants guaranteeing greater energy efficiency by optimising the thermal energy flow to the buildings, to the mobility services in terms of car and bike sharing assessing the business model of distributed natural gas compressors powering taxi fleets, to the multi-metering of network services in terms of natural gas, water service, electricity and district heating. Activities to integrate the measures acquired are planned, interacting with the information systems of the companies that provide the services, with the energy management system and web server platform of the measures acquired in a context of interoperability.

Learn2Empower (Horizon 2020 – EE1), under assessment (submitted on 04/06/2015)
The Learn2Empower project proposes an integrated and cloud-based solution capable of providing user engagement and empowerment tools on energy consumption and analytical and decisional instruments for utilities and public authorities.
The project provides for specific solutions and instruments for user groups with similar characteristics (habits, devices, family groups, houses), assessed on the basis of clusterisation algorithms, of machine learning techniques and user engagement tools based on serious gaming applications, which represent an effective upgrade of IREN's EDEN project in the schools of Turin.

SmartWIN - Smart and energy efficient water infrastructure for smart communities (Interreg Central Europe, Call 1), under assessment (submitted on 13/04/2015)
The project proposal refers to the optimisation of the energy consumption of public water pipeline infrastructures. The project will facilitate a process of change among the European water utilities using techniques that derive from analysing the state of the art in combination with smart technologies that use renewable energies. This will change the role of the public utilities making them capable of controlling and optimising the energy consumption connected with the water and energy services managed.

STORE&GO (Horizon 2020 – LCE9), under assessment (submitted on 05/05/2015)
The STORE&GO proposal will demonstrate 3 innovative Power to Gas (PtG) systems located in Germany, Switzerland and Italy in order to identify and overcome its technical, economic, social and legal barriers. The project has the ambition of assessing the possibility of integrating the PtG storage system into leading-edge energy production and distribution systems. Using the methanation process as a “bridge”, the PtG system can solve, directly or indirectly, the problem of fluctuating production from Renewable Energy Sources (RESs). STORE&GO will demonstrate how new PtG systems can help to balance traditional generation and RESs, verifying this arrangement in three real systems in Europe.

SWARM - Smart technologies for adaptive urban Water Management (ERA-NET COFOUND WATER WORKS), under assessment (submitted on 04/05/2015)
The SWARM Project is aimed at developing in-depth analyses and tools connected with the installation of smart meters for the Water industry making it possible to expand the information acquirable from remote meter readings in a context of interoperability of sensors, databases and models. The purpose of the project is to increase the ability to analyse and manage water systems also in conditions of scarcity of the resource in a new perspective in which the customers of the water service will have a proactive role. Along the distribution network the interoperability of the remote reading systems with the models for the analysis of energy efficiency and of the medium/short-term water balance sheet will be developed. The project has currently passed the first assessment stage.

OTHER INNOVATION ACTIVITIES

WATER SERVICES
During the half-year period IREN continued to take part in the WssTP (Water Supply and Sanitation Technology Platform) project, launched by the European Commission in order to oversee the research in the water sector, participating also in the TICASS (Tecnologie Innovative per il Controllo Ambientale e lo Sviluppo Sostenibile - Innovative Technologies for Environmental Control and Sustainable Development) Consortium, a technological innovation hub of the Liguria region. In this context numerous project proposals have been submitted which also aim to finance research grants relating to the subject of water quality.

In 2015, IREN oversaw technological innovation hubs in the context of specific research projects to be carried out in collaboration with the Amga Foundation, with companies in the business and with Universities and national and international research entities. More specifically, the research projects launched and completed in 2015 concerned:

Projects carried out with study grants financed by the Liguria region coordinated by the TICASS Hub
IREN studied some research subjects in depth as part of the projects that provide for involvement of research who have been awarded financed research grants. The subjects regarded matters such as the study of interactions between underground networks and the surrounding environment, Molecular thermo-decomposition of gaseous effluents and the Study of the phyto-purification process of an urban aggregate in the Imperia area.

Projects included in the Amga Foundation's research programme
IREN is carrying out, through the Amga Foundation, a number of projects related to treatment plants and to the removal of Endocrine Disruptors, to Algae microcystins in water destined for human consumption, to Industrial Ecology and to the study of material and energy flows in industrial systems. Further subjects of an economic and regulatory nature regard a review of the theoretical bases on which the standard costs principle is based as a foundation of regulation, standard costs as the reference for the costs of capital in companies, a review of the incentive methods for photovoltaic energy production in Italy and Germany, the collaboration between AMGA Foundation and AQP in a regulatory context and standard costs: future prospects in the context of future resolutions of the Authority for Energy and Water.

ENERGY

Turin LED Project
A project is in progress to replace in the City of Turin approximately 54,000 lighting points fitted with discharge lamps with new LED lamps. The project will go on for a total of approximately one year. The project is completely financed by IREN as an ESCo. In energy terms, when the project is completed, the saving will be approximately 19.6 GWh per year, with lower emissions of approximately 3,600 TOE.

Remote control of district heating plants
The project for the remote control of district heating systems aims at providing the tools for effective management of consumption control, the configuration of the operating parameters, and the technical maintenance and management of the SST (heat exchange substation) alarms in order to improve the services to district heating customers. To this end a technological platform has been designed, which is able to acquire the operating parameters from the substations, process the data and offer the necessary reporting and control tools.
In the first half of 2015, on the Turin district heating network, 4,345 plants out of 5,165 were in operation.
In the same period tests and experiments were carried out for the installation of the same system on the other district heating networks operated by the Group.

Installation of storage systems on the district heating network
In the city of Turin IREN has begun the activities necessary for the design and installation of a fourth heat storage system in service of the district heating network. The system, with a total capacity of 2,500 m^3, will enable further optimisation of the network and maximisation of the heat produced in cogeneration, reducing further the use of supplementary and reserve boilers.

Flexibilisation of combined cycle plants
IREN is proceeding with work on flexiblising its combined cycle plants, to respond better to the ever-increasing needs of the electrical system and to become increasingly competitive in offering services on the auxiliary services market. These activities involve improvements on gas turbines, steam turbines, steam generators with recovery and control systems, with the purpose of keeping the plant hot, reducing the start-up and shutdown times and increasing the intake / load reduction ramps.

Installation of systems for reducing polluting emissions in combined cycle plants
After the positive experience of 2014 with the installation of catalytic systems to abatement of Nitrogen oxides (NO_x) and Carbon monoxide (CO) on two combined cycles of the Moncalieri Power Station, IREN is carrying out the activities necessary to install the CO catalyser also on the combined cycle of the Turin

North Power Station. After the installation, currently in progress, a reduction of the minimum technical environmental load will be obtained, thus increasing the field of regulation of the plant.

Dam seismic research contract

In December 2014 the research contract with the Department of Structural, Building and Geotechnical Engineering of the Turin Polytechnic for seismic testing of dams came into effect. The activity of the research programme are oriented to develop methods for the seismic testing of dams and of the related accessory structures, in the current scenario of the changing legislative context on the subject. An annual research grant has been activated to study the stability of the Ceresole Reale dam in seismic conditions, as have two traineeships aimed at characterising the materials of the said dam built at the end of the 1920s and the subject over the years of a certain amount of renewal and extraordinary maintenance work and a dissertation on the seismic testing of the guard house and the generator/compressor unit building.

Monitoring of the Ciardoney glacier

In 2015 research activities continued on the behaviour of the Valle Orco glaciers, through monitoring of the Ciardoney glacier in the Gran Paradiso National Park. This is an initiative launched at the beginning of the 1990s in collaboration with the Italian Meteorological Society which has continued regularly through annual campaigns to check the mass balance of the glacier. The research is oriented to monitoring the reduction of glaciers in the Alps supporting the planning of the production of hydroelectric plants in Valle Orco. The measurements of June 2015 recorded an accumulation of snow variable between 390 and 200 centimetres and an equivalent figure in water of 1,730 mm, higher than the 1992-2014 historical average. The snow melt began early, already at the beginning of May, and in June the coat of snow was already completely humidified and mixed with water, melting rapidly. We shall have to wait for the series of measurements in September to see the annual balance sheet and assess whether the accumulated trend of -29 m recorded from 1992 to 2014 will again be confirmed.

PERSONNEL AND TRAINING

Personnel

At 30 June 2015 the Iren Group had 6,239 employees; with the same perimeter as 31 March 2015 there was a slight reduction compared to the previous 6,263 employees. The table below provides a breakdown of personnel at 30 June 2015, divided into Holding and First-level companies (with related subsidiaries) compared with the figure at 31 December 2014.

Company	Workforce at 30.06.2015	Workforce at 31.12.2014
Iren S.p.A.	363	254
Iren Acqua Gas and subsidiaries	874	898
Iren Ambiente and subsidiaries	2,366	608
Iren Emilia and subsidiaries	1,193	1,253
Iren Energia and subsidiaries	1,011	1,069
Iren Mercato and subsidiaries	432	442
Total	**6,239**	**4,524**

The change in the workforce compared to 31 December 2014 is the result of:

- entry into the Group, with effect from 1 January 2015, of the company AMIAT;
- the process of reorganising and centralising the staffs in Iren S.p.A. which will continue, during the year, with further entry into direct employment by the said Company of the personnel currently allocated to other Group Companies. In this regard, with effectiveness from 1 July 2015, it is planned to proceed to completion of the process of centralising the aforementioned units through the acquisition by in Iren S.p.A. of the related business units from the Group's First-Level Companies and their subsidiaries and/or investees and by Iren Acqua Gas S.p.A. of the business unit providing the integrated water service in the Municipalities of Camogli, Rapallo, Coreglia Ligure and Zoagli in the Genoa ATO and in the Municipality of Bolano (La Spezia), acquired by Acque Potabili S.p.A.;
- the launch of the voluntary retirement incentive process, pursuant to Art. 4 of Italian Law 92/2012, which with the objective of creating a generational change will in any case take into account the organisational need to guarantee the maintenance of the policy on the subject of limiting workforces.

Training

Since it was first established, Iren has made training one of its fundamental tools in the professional development of human resources, developing the necessary technical, professional and managerial skills, in order to make a firm contribution to the development of the entire Group.

The analysis of the training needs for the year 2015 was carried out by macro-subjects and themes which, during 2015, would have had a great impact on the Iren Group. Priority was given to training activities related to activation of Group projects (e.g. Change Management, Iren One, etc.) and those related to fulfilling legislative obligations, assessing however the opportunity to activate further surveys of the training needs in the second half of the year (especially for new recruits).

From the final data related to the first half of 2015 emerge growing values compared to the first half of the previous year, with an increase of 10% in the number of person-hours if the comparison is made with the same perimeter as last year, for a total of approximately 44,300 hours. Including also the 7,700 hours of training carried out by AMIAT personnel which involved 1564 employees, the number of person-hours linked to education and training initiatives carried out for various reasons by the Iren Group were approximately 52,000 with 79% of the Group's employees who took part in at least one training course.
The average per capita was 10 hours if calculated on the basis of the same perimeter as last year.

QUALITY, ENVIRONMENT AND SAFETY

Quality

As expressed in its corporate mission, the Iren Group provides integrated services that target safeguarding the environment and personnel safety. As customer needs and expectations are evolving constantly, strongly backed by market competitiveness, calling for flexible organisational models and streamlined management systems and requiring monitoring of efficiency in terms of expected results, the Group has developed an Integrated System (Quality, Safety and Environment) as a means to achieve the predefined objectives. The Integrated System is structured in such a way as to envisage adequate control of all operating processes affecting service quality, adopting an increasingly customer-led approach. The core principles of the Integrated System policy are:

- customer satisfaction;
- attention to the social and environmental aspects;
- employee safety;
- efficiency in performing the service;
- supply and contract quality;
- constant improvement;
- compliance with the Code of Ethics.

The Integrated System policy is adopted by all Group employees and has created strong synergies between the operating structures.
All first-level companies and investees have systems that are certified in accordance with international standard ISO 9001 (Quality).
The first-level companies Iren Energia, Iren Acqua Gas, Iren Emilia and Iren Ambiente and the main investees were certified in accordance with the international standards ISO 14001 (Environment).
The Parent, the companies in Turin and Genoa, Tecnoborgo and AMIAT hold OHSAS 18001 (Safety) certification, Iren Emilia has certified its own safety system for the gas management and distribution service, Iren Ambiente has certified the provision of cleaning services and sweeping of public roads and roads used by the public, collection and transport of urban and similar waste, management of waste collection centres, provision of the Waste-to-energy service with production of electricity and heat at the Parma Environmental Hub.
During the first half of the year the planned audits to keep/renew certification for the Group companies were carried out regularly, giving positive results and therefore confirming the existing certifications.

During the first half of the year, after the corporate reorganisation of Iren which centralised the staff units in the Parent starting from 1 July 2015, the project to transfer the relevant certifications from the First-Level Companies to Iren S.p.A. The objective of this project is to ensure that Iren S.p.A. obtains integrated Quality, Safety and Environment certification.

After the corporate reorganisation the control of the Quality, Safety and Environment management systems is ensured for each first-level Company by IREN's Organisation and Certified Systems Department, which has centralised in the Parent the control functions previously allocated to the FLCs.

During the first half of 2015 the following projects were completed positively:

- integration into Iren Energia's Integrated Management System of the Turin district heating unit;
- extension of the ISO 9001/ISO 14001/ OSHAS 18001 Certifications held by Iren Ambiente to the Parma Integrated Environmental Centre (from 2012 – 2013 - 2014 Plan);
- maintenance of certification according to Reg. 303/2008/EC - FGAS certification for Iren Mercato subsidiaries operating in the heat management sector as regards the service provided for devices containing fluorinated greenhouse gases;
- Quality, Environment and Safety recertification for the companies Iren Energia S.p.A., Iren Servizi e Innovazione S.p.A. and AEM Torino Distribuzione S.p.A.;

- EMAS recertification of the Turbigo, Nucleo Tusciano and Moncalieri plants of the company Iren Energia S.p.A.;
- maintenance of certification for sales of electricity produced solely from renewable sources, in compliance with the Certiquality Technical Document No. 66, by Iren Mercato;
- recertification with transition to the new edition of the standard according to the new standard UNI CEI 11352:2014 by Iren Rinnovabili;
- achievement of UNI 11352 certification by Iren Gestioni Energetiche.

The following development projects are also in progress:
- integration of the Safety, Environmental and EMAS management systems of the Turbigo and Tusciano plants (formerly Edipower) into Iren Energia's QAS Management System;
- continuation of the "LIAG Laboratories Multi-site Accreditation" by Laboratori Iren Acqua Gas;
- extension of the ISO 9001-ISO 14001-ISO18001 Certifications held by AMIAT with reference to the plastic materials recovery plant at Collegno (TO);
- extension of the safety and environmental management systems to the activities of electricity distribution and public lighting service in the province of Parma, and of the production and distribution of the district heating service in the provinces of Parma, Piacenza and Reggio Emilia. Project remodulated and re-planned with longer times in consideration of the corporate reorganisation.
- Analysis for unification in the whole Iren Group of the information systems supporting the management of the QAS systems documents, the management of internal audits, corrective/preventive/improvement actions, non-conformities.

Safety

The Iren Group considers it an investment to destine to Workplace Health and Safety (WHS) human, professional, organisational, technological and economic resources, believing that it is of primary importance to protect workers and setting itself the objective not only of complying with the requirements of the specific laws on the subject, but also of taking action aimed at continuous improvement of working conditions.
During the first half of 2015 we continued to make the current organisation of health and safety management in the Iren Group increasingly effective, without, for this, limiting or interfering in the autonomy of each Employer.

In the Genoa area, in order to activate adequate preventive actions to limit injuries with the various corporate Departments, it was agreed to launch specific initiatives in order to improve and facilitate the reporting of "near misses".

The companies in Turin and Genoa, Tecnoborgo, AMIAT, IREN, the companies Iren Emilia and Iren Ambiente are in possession of the Certification under the terms of the OHSAS 18001 Standard. The last two implement the safety management system over the entire perimeter and have agreed with Accredia the process for specific certification of the various services managed, envisaged and regulated for large and multi-service companies. Therefore, as planned, the extensions of the OHSAS 18001 Certification to the Iren Emilia units, begun in 2013 with the gas sector and Iren Ambiente, begun with road sweeping, urban, similar and comparable waste collection, and certified collection centre management in 2014, are continuing. As part of these initiatives numerous meetings were held with workers to illustrate the corporate policy on workplace safety.

In the first half of the year the planned recertification/maintenance audits were also carried out regularly and as planned in the Group companies, confirming in all cases the certifications acquired.

We can also note the continuing implementation of a single safety management software program in the Iren Group, aimed at computerised management in the territories.

During the first half of the year the Group defined and began monitoring the targets and the improvement actions in the safety field. Starting from the guidance issued during 2015 by the Parent Company objectives and improvement plans have been defined.

In the Iren Group assessment of injury trends is subject to an in-depth and detailed analysis, the results of which do not show significant differences compared to the general trend.
Collaboration is continuing with other Organisations and Institutes operating in the workplace safety sector and in particular on roads, a project was launched to assess the risks deriving from driving the company's vehicles (or an authorised private vehicle) and the prevention/reduction of road accidents in working hours for the company's employees, and for all people who come to use a vehicle under the company's direct control. The protocol regarding the activation of a systematic collaboration between Iren S.p.A. and the above subjects has been defined and signed; the aim is to prepare a road safety management system and to define a method for assessing driving risk and consequent improvement measures, as defined by Italian Legislative Decree 81/2008 and subsequent amendments and additions.

The risk analyses were constantly updated in the first half of 2015, in keeping with the new organisation.

Environment

The Iren Group's commitment continues as regards environmental protection in the various segments in which it operates. In particular, while performing their business activities, the first-level companies have focused on environmental protection principles, the rational use of natural resources and full compliance with regulations in force, as well as raising the awareness of their customers and suppliers on environmental subjects.

In this context:
- Iren Mercato maintained the certification, under the terms of the DT66 of Certiquality, for its service of selling electricity produced entirely by renewable sources and established the brand "Iren Verde" with which non-domestic customers that sign up for the service have the chance to demonstrate and make visible their environmental commitment;
- Iren Gestioni Energetiche maintained the certification of activities for the installation, maintenance and repair of fixed refrigeration and conditioning equipment and heat pumps according to Regulation 303/08/EC
- IdroTigullio and AMTER obtained Certification of the Environmental Management System under the terms of the UNI EN ISO 14001:2004 standard;
- EMAS registration was obtained for the Turin North plant, the EMAS registrations were confirmed for the Turbigo, Tusciano and Moncalieri plants, as were ISO 14001 certifications for the companies Iren Energia, Iren Servizi e Innovazione and AEM Torino Distribuzione.
- Integrated quality, safety, environment certification was obtained for the Parma PAI (IEC) by Iren Ambiente.

Resources have been deployed in order to ensure sustainable corporate growth based on constant improvement:
- in the development of electricity from renewable resources (hydroelectric) or similar to renewable resources (cogeneration), as well as promotion of district heating, and in the adoption of the best plant technologies available on the market to ensure lower environmental impact;
- in improving use of water resources in terms of collection and utilisation as well as release and discharge;
- in renewing urban waste water treatment plants and in searching for the best available technologies to improve the quality of effluent water and minimise odorous emissions;
- in correct management of obligations regarding the special waste problem, as regards the phases linked to production, storage, transport and disposal/final recovery;
- in disseminating information on the impact of corporate activities on the external environment, through specific reporting, such as the Sustainability Report, the Environmental Statements.

From the operational point of view, to ensure the lowest environmental impact of the Group's activities, particular importance was given to:
- maintaining the certification systems on a voluntary basis regarding certified environmental management systems in accordance with the UNI EN ISO 14001:2004 standard and EMAS;

- monitoring environmental performance through the use of special indicators for each significant environmental aspect;
- analytically controlling the impact on the external environment, especially as regards emissions into the atmosphere, air quality, waste water, noise and electromagnetic fields;
- performing special internal audits aimed at checking the correct management of environmental issues in the company's plants;
- complying with administrative formalities, especially as regards the monitoring and controls connected with the Integrated Environmental Permits (I.P.P.C. Directive) and the issue of greenhouse gas emissions (Emission Trading System) for the plants involved;
- continuously involving the company's staff, by providing specific training courses, scheduled on an annual basis and focusing on environmental issues and best practices for the management of plants, to ensure lower environmental impact;
- implementing, at the Iren Group's various sites, the steps gradually proposed by the Waste Traceability Control System, entitled SISTRI, set up by the Ministry for the Environment and Protection of the Territory and the Sea to ensure transition, through advanced technological solutions, to innovative and more efficient management of the entire waste chain.

IREN AND SUSTAINABILITY

For Iren sustainability is a fundamental lever for achieving the company's objectives, for creating value for its stakeholders and for the Group's development.
Involving the community and the stakeholders is seen increasingly as a factor of success in the development of activities and services capable of guaranteeing quality, efficiency, low cost and respect for the environment, leading to a new social role for the Group in territorial development. For this reason the Iren Group promotes policies in keeping with the principles of environmental, social and financial sustainability: respect for and protection of the territory, professional development of employees, customer satisfaction, constant dialogue with the community and the Public Administration, careful management of the supply chain, and transparent communications with shareholders and lenders.
Responsibility for the territory also means listening to and structured dialogue with local communities. For this reason the Iren Group has set up Local Committees, places for participatory planning to improve the quality of services, social and environmental sustainability and the ability to anticipate the citizens' needs .
The Committees are structured on a provincial basis: the Committees of the Provinces of Piacenza and Reggio Emilia have already been set up, that of Parma is being set up, and subsequently the project will be extended to the other territories in which the Group operates. To widen the dialogue and discussions to all communities, the Territorial Committees make use of the aid of an online platform through which citizens can publish their ideas and improvement projects directly.

The Sustainability Report is the Iren Group's main instrument for communicating to stakeholders the performance achieved in the economic, social and environmental fields.
The 2014 edition of the Sustainability Report was approved by the Board of Directors of Iren S.p.A. on 13/03/2015, at the same time as the Separate and Consolidated Financial Statements at 31 December 2014 were approved.
The Sustainability Report was prepared according to the “Sustainability Reporting Guidelines & Electric Utilities Sector Supplement” defined by the Global Reporting Initiative (GRI), the level of application of which corresponds to A+. As reference in preparing the statement of determination and division of Added Value, the “Principles for Preparation of the Social Report” prepared by the Study Group for Social Reporting (GSR) were taken into consideration.

The medium/long-term strategic orientations indicate constant attention to sustainability issues. In the 2015-2020 Business Plan, presented publicly at the Borsa Italiana headquarters in Milan on 17 June 2015, Iren's development is based on four strategic lines: integration and efficiency, centrality of the Customer, innovation and sustainable development in environmental and financial terms. The Business Plan also provides for a new strategic orientation for the la CSR, implementing Iren's commitment to sustainable development of the territories, providing for a wider, more modern and diffused responsibility through investments in culture, schools, and social innovation.

In addition, of note among the Group’s sustainability initiatives carried out in the first half of 2015 are:

- participation, for the fourth consecutive year, in the Carbon Disclosure Project survey “CDP Italy 100 Climate Change Report 2015”, for which assessments are currently in progress;
- participation in the 2015 edition of the Sodalitas Social Award, the most authoritative Award on Business Sustainability in Italy (currently assessments are in progress), in the categories “Digital Innovation”, “Third Industrial Revolution and New Production Systems”, “Smart Community, Entrepreneurship and Social Inclusion” and “People's Work, Growth and Professional Development”;
- participation, in the 2015 Sustainable Development Award, organised by the Foundation for Sustainable Development in collaboration with Ecomondo (currently assessments are in progress);
- winning the Smart Communities Award at SMAU Turin 2015 for the EDEN project is a concrete initiative linked to the use of digital technologies to measure energy efficiency in three schools in Turin, in the Campidoglio district;
- participation in sensitisation initiatives on CSR-related issues of other promoters (e.g. Altis, Acea);
- participation in Forums (Altis, Utilitatis, Assonime);

- obtainment of the Mela Rosa [Pink Apple] certification, by the Marisa Bellisario Foundation, for Iren's commitment to adopting the provisions of the law on gender parity, making the most of female talent in the company's top management;
- continuation in the territory of Reggio Emilia of participation in the campaign for prevention of aortic aneurysm promoted by Cardioteam Foundation Onlus, by means of which all employees aged 55 or over have a free health screening (by the end of 2015 the project will be extended also to the territory of Parma, while the provinces of Genoa, Piacenza and Turin have already been covered);
- participation in the Turin Led Project, (organised by the City of Turin), which, over a period of 2 years, provides for replacement of the traditional lamps with 55,000 new LED lamps. At the energy and environmental level, once completed, the project will enable a reduction of electricity consumption of more than 50%, enabling the non-consumption of approximately 3,600 TOEs, and avoiding, at the same time, the production of 3.5 tonnes/year of CO_2;
- continuation of the project “Edu.Iren”, a programme of training courses made available to schools (with the start of the school year 2014/2015) free of charge, based on the many years of experience of the Iren Group companies at the local level in sustainability education projects in schools;
- participation at the conference “The City of the Future”, organised by Iren, the Polytechnic School of the University of Genoa and FULGIS (a Foundation that manages a number of secondary schools in the Municipality of Genoa). The conference offered the students of schools in Genoa the occasion to study the theme of environmental sustainability as seen in the fields of construction, mobility and management of services, learning about concrete and excellent experiences;
- creation of the mini-website on sustainability;
- creation of the “sustainability pills”, a cycle of weekly appointments, published on the corporate Intranet to study in depth the commitment that the Group brings into play to guarantee environmental, social and financial sustainability to its stakeholders.

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia
Share capital fully paid - in 1,276,225,677.00
Reggio Emilia Companies Register No. 07129470014
Tax Code and VAT No. 07129470014

Condensed Consolidated Interim Report and Notes

at 30 June 2015

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Notes	30.06.2015	of which related parties	31.12.2014	of which related parties
ASSETS					
Property, plant and equipment	(1)	2,933,266		2,992,246	
Investment property	(2)	14,251		14,427	
Intangible assets with a finite useful life	(3)	1,247,921		1,234,670	
Goodwill	(4)	124,407		124,407	
Investments accounted for using the equity method	(5)	244,633		235,102	
Other equity investments	(6)	17,817		17,817	
Non-current trade receivables	(7)	58,704		51,232	
Non-current financial assets	(8)	64,350	62,615	66,439	65,143
Other non-current assets	(9)	46,408	13,964	47,006	11,926
Deferred tax assets	(10)	279,065		277,679	
Total non-current assets		**5,030,822**	**76,579**	**5,061,025**	**77,069**
Inventories	(11)	87,350		81,659	
Trade receivables	(12)	851,306	150,358	977,964	237,159
Current tax assets	(13)	10,128		19,334	
Other receivables and other current assets	(14)	169,822	314	233,434	84
Current financial assets	(15)	546,147	543,631	471,301	462,364
Cash and cash equivalents	(16)	29,457	2,850	51,601	2,830
Total current assets		**1,694,210**	**697,153**	**1,835,293**	**702,437**
Assets held for sale	(17)	5,443		10,762	
TOTAL ASSETS		**6,730,475**	**773,732**	**6,907,080**	**779,506**

thousands of euro

	Notes	30.06.2015	of which related parties	31.12.2014	of which related parties
SHAREHOLDERS' EQUITY					
Equity attributable to owners of the Parent					
Share capital		1,276,226		1,276,226	
Reserves and retained earnings (Losses)		430,145		401,198	
Net profit (loss) for the period		102,559		85,795	
Total equity attributable to owners of the Parent		**1,808,930**		**1,763,219**	
Non-controlling interests		227,957		230,330	
TOTAL EQUITY	**(18)**	**2,036,887**		**1,993,549**	
LIABILITIES					
Non-current financial liabilities	(19)	2,365,276	122,644	2,210,821	94,661
Employee benefits	(20)	146,519		148,971	
Provisions for risks and charges	(21)	298,612		319,662	
Deferred tax liabilities	(22)	160,661		162,343	
Other payables and other non-current liabilities	(23)	193,292		200,625	
Total non-current liabilities		**3,164,360**	**122,644**	**3,042,422**	**94,661**
Current financial liabilities	(24)	429,707	47,271	664,204	67,314
Trade payables	(25)	714,339	44,707	874,723	44,232
Other payables and other current liabilities	(26)	226,870	2,055	248,583	4,762
Current tax liabilities	(27)	63,294		1,869	
Provisions for risks and charges - current portion	(28)	95,018		81,730	
Total current liabilities		**1,529,228**	**94,033**	**1,871,109**	**116,308**
Liabilities related to assets held for sale	(29)	-		-	
TOTAL LIABILITIES		**4,693,588**	**216,677**	**4,913,531**	**210,969**
TOTAL EQUITY AND LIABILITIES		**6,730,475**	**216,677**	**6,907,080**	**210,969**

INCOME STATEMENT

thousands of euro

	Notes	First half 2015	of which related parties	First half 2014	of which related parties
Revenue					
Revenue from goods and services	(30)	1,442,412	162,507	1,363,912	97,866
Change in work in progress	(31)	(74)	(2)	136	148
Other revenue and income	(32)	137,035	5,768	156,594	1,762
- of which non-recurring				*21,044*	
Total revenue		**1,579,373**	**168,273**	**1,520,642**	**99,776**
Operating expense					
Raw materials, consumables, supplies and goods	(33)	(535,399)	(44,305)	(573,476)	(51,215)
Services and use of third-party assets	(34)	(454,416)	(28,058)	(456,960)	(63,162)
Other operating expense	(35)	(38,995)	(3,049)	(37,446)	(3,017)
Capitalised expenses for internal work	(36)	10,583		8,803	
Personnel expense	(37)	(183,041)		(137,211)	(2)
Total operating expense		**(1,201,268)**	**(75,412)**	**(1,196,290)**	**(117,396)**
GROSS OPERATING PROFIT (EBITDA)		**378,105**	**92,861**	**324,352**	**(17,620)**
Amortisation, depreciation, provisions and impairment losses					
Amortisation/depreciation	(38)	(130,937)		(108,912)	
Provisions and impairment losses	(39)	(30,514)		(23,241)	
Total amortisation, depreciation, provisions and impairment losses		**(161,451)**		**(132,153)**	
OPERATING PROFIT (EBIT)		**216,654**	**92,861**	**192,199**	**(17,620)**
Financial income and expense	**(40)**				
Financial income		16,090	11,338	14,693	11,336
Financial expenses		(54,747)	(2,625)	(62,499)	(3,870)
Total financial income and expense		**(38,657)**	**8,713**	**(47,806)**	**7,466**
Share of investments accounted for using the equity method	(41)	4,793		7,480	
Impairment losses on investments	(42)	-		(20)	
Profit/(loss) before tax		**182,790**	**101,574**	**151,853**	**(10,154)**
Income tax expense	(43)	(67,918)		(69,866)	
Net profit/(loss) from continuing operations		**114,872**		**81,987**	
Net profit/(loss) from discontinued operations	(44)	-		-	
Net profit (loss) for the period		**114,872**		**81,987**	
attributable to:					
- Profit/(loss) - Group		102,559		72,157	
- Profit/(loss) - non-controlling interests	(45)	12,313		9,830	
Earnings per ordinary and savings share	**(46)**				
- basic (euro)		0.08		0.06	
- diluted (euro)		0.08		0.06	

STATEMENT OF OTHER COMPREHENSIVE INCOME

thousands of euro

	First half 2015	First half 2014
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)	**114,872**	**81,987**
Other comprehensive income to be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	6,740	(3,098)
- changes in fair value of available-for-sale financial assets	-	-
- share of other profits/(losses) of companies accounted for using the equity method	4,680	(7,691)
Tax effect of other comprehensive income	(1,880)	776
Total other comprehensive income to be subsequently reclassified to the Income Statement, net of tax effect (B1)	**9,540**	**(10,013)**
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- actuarial profits/(losses) from defined benefit plans (IAS 19)	-	
- share of other profits/(losses) of companies accounted for using the equity method related to defined benefit plans (IAS 19)	-	
Tax effect of other comprehensive income	-	
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)	**-**	-
Total comprehensive income/(expense) (A)+(B1)+(B2)	**124,412**	**71,974**
attributable to:		
- Profit (loss) - Group	112,097	62,081
- Profit (loss) - non-controlling interests	12,315	9,893

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2013	**1,276,226**	**105,102**	**32,512**
Legal reserve			4,343
Dividends to shareholders			
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
30/06/2014	**1,276,226**	**105,102**	**36,855**
31/12/2014	**1,276,226**	**105,102**	**36,855**
Legal reserve			2,505
Dividends to shareholders			
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
30/06/2015	**1,276,226**	**105,102**	**39,360**

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(24,028)	**302,135**	**415,721**	**80,554**	**1,772,501**	**216,526**	**1,989,027**
		4,343	(4,343)	-		-
			(66,747)	(66,747)	(6,894)	(73,641)
	9,464	9,464	(9,464)	-		-
	(220)	(220)		(220)	(10,779)	(10,999)
	(427)	(427)		(427)	51	(376)
(10,076)		(10,076)	72,157	62,081	9,893	71,974
		-		-		-
		-	72,157	72,157	9,830	81,987
(10,076)	-	(10,076)		(10,076)	63	(10,013)
(34,104)	**310,952**	**418,805**	**72,157**	**1,767,188**	**208,797**	**1,975,985**
(39,695)	**298,936**	**401,198**	**85,795**	**1,763,219**	**230,330**	**1,993,549**
		2,505	(2,505)	-		-
			(66,747)	(66,747)	(14,670)	(81,417)
	16,543	16,543	(16,543)	-		-
	511	511		511		511
	(150)	(150)		(150)	(18)	(168)
9,538		9,538	102,559	112,097	12,315	124,412
			102,559	102,559	12,313	114,872
9,538	-	9,538		9,538	2	9,540
(30,157)	**315,840**	**430,145**	**102,559**	**1,808,930**	**227,957**	**2,036,887**

STATEMENT OF CASH FLOWS

thousands of euro

	First half 2015	First half 2014
A. Opening cash and cash equivalents	**51,601**	**50,222**
Cash flows from operating activities		
Profit (loss) for the period	114,872	81,987
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	130,937	108,912
Capital gains (losses) and other changes in equity	3,895	(20,419)
Net change in post-employment benefits and other employee benefits	(2,452)	395
Net change in provision for risks and other charges	(4,211)	(1,791)
Change in deferred tax assets and liabilities	(4,948)	(4,402)
Change in other non-current assets and liabilities	(6,735)	13,393
Dividends accounted for net of adjustments	(1,230)	(1,030)
Share of profit/(loss) of associates and joint ventures	(4,793)	(7,480)
Net impairment losses (reversals of impairment losses) on assets	220	706
B. Cash flows from operating activities before changes in NWC	**225,555**	**170,271**
Change in inventories	(5,691)	25,133
Change in trade receivables	119,186	128,765
Change in tax assets and other current assets	72,818	(23,454)
Change in trade payables	(160,384)	(232,388)
Change in tax liabilities and other current liabilities	39,712	63,766
C. Cash flows from changes in NWC	**65,641**	**(38,178)**
D. Cash flows from/(used in) operating activities (B+C)	**291,196**	**132,093**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(96,316)	(104,767)
Investments in financial assets	(1,355)	(47,290)
Proceeds from the sale of investments and changes in assets held for sale	4,547	23,840
Dividends received	7,260	42,615
E. Total cash flows from/(used in) investing activities	**(85,864)**	**(85,602)**
F. Free cash flow (D+E)	**205,332**	**46,491**
Cash flows from/(used in) financing activities		
Dividends paid	(81,417)	(73,641)
New non-current loans	250,000	150,000
Repayment of non-current loans	(111,812)	(263,262)
Change in financial liabilities	(211,490)	395,608
Change in financial assets	(72,757)	(278,708)
G. Total cash flows from financing activities	**(227,476)**	**(70,003)**
H. Cash flows for the period (F+G)	**(22,144)**	**(23,512)**
I. Closing cash and cash equivalents (A+H)	**29,457**	**26,710**

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is an Italian multiutility company, listed on the Italian Stock Exchange (Borsa Italiana), created on 1 July 2010 through the merger of IRIDE and ENÌA.

The segments in which the Group operates are:

- Generation and District heating (Hydroelectric Production, Cogeneration of heat and power, District heating networks and production from Renewable sources);
- Market (Sale of electrical energy, gas, heat);
- Energy Infrastructures (Electricity distribution networks and gas distribution networks);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage);
- Waste Management (Waste collection and disposal);
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

Paragraph X, Information by operating segments, includes the information required by IFRS 8.

Iren S.p.A. is structured after the model of an industrial holding, with headquarters in Reggio Emilia and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies responsible for the single business lines.

The statements at 30 June 2014 and at 31 December 2014 have been reclassified to adjust to the classification adopted for the corresponding items at 30 June 2015. The main reclassifications are described in these notes.

The company's condensed consolidated interim report and notes at 30 June 2015 include those of the Company and its subsidiaries, (collectively referred to as the "Group" and individually as "Group entities") and the Group's investments in jointly-controlled companies and in associates.

I. CONTENT AND STRUCTURE OF THE CONDENSED CONSOLIDATED INTERIM REPORT

The Iren Group's interim report at 30 June 2015 was prepared under the terms of Art. 154-*ter*, Section 2 of Italian Legislative Decree No. 58 of 24 February 1998 as amended by Italian Legislative Decree No. 195 of 6 November 2007.

The condensed consolidated interim financial statements at 30 June 2015 were prepared in accordance with IAS 34 - Interim Financial Reporting. These condensed interim financial statements do not include, therefore, all the information required in the annual financial statements and must be read together with the annual financial statements prepared for the financial year ended 31 December 2014 and available at the company's registered office, at Borsa Italiana S.p.A., and on the website www.gruppoiren.it.

The financial statement structure adopted by the Iren Group in preparing these financial statements are the same as those applied in preparing the financial statements for the year ended 31 December 2014.

The financial statements of consolidated entities are drawn up at the reporting date of the half-year reference period. These condensed consolidated interim financial statements are stated in Euro, the company's functional currency. All amounts expressed in Euro are rounded to the nearest thousand.

The accounting standards adopted in preparing these condensed consolidated interim financial statements are the same as those adopted in preparing the Group's consolidated annual financial statements for the financial year ended 31 December 2014, to which reference should be made for a more ample discussion, with the exception of what follows.
On 12 December 2013, the IASB issued a series of amendments to the IFRSs: these are the Annual Improvements to IFRSs - 2010-2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle, endorsed respectively on 17 and 18 December 2014. Among others, the most significant subjects dealt with in these amendments are: a) definition of the vesting conditions in *IFRS 2 - Share-based Payment*; b) grouping of operating segments in *IFRS 8 - Operating Segments*; c) definition of key management personnel in *IAS 24 - Related Party Disclosures*; d) exclusion from the scope of application of *IFRS 3 - Business Combinations* of all forms of joint arrangements; and e) some clarifications regarding exceptions to the application of *IFRS 13 - Fair Value Measurement*.
Application of the new standards indicated above did not have a significant impact on the condensed consolidated interim financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP

Moreover, the following accounting standards, as well as amendments and interpretations which are not yet applicable at the date of this interim report and have not been adopted in advance by the Iren Group are to be noted.

- In July 2014 the IASB published the standard IFRS 9 "Financial Instruments". The standard is the result of a process that began in 2008 following the economic and financial crisis, with the aim of completely rewriting the accounting rules for recognition and measurement of financial instruments provided for in IAS 39. In brief the rules of IFRS9 regard:
  - <u>the criteria for classification and measurement of financial assets and liabilities</u>. In particular, as regards financial assets, the new standard uses one single approach based on management models of financial instruments and characteristics of contractual cash flows of financial assets, with the aim of determining the measurement criteria, by replacing the various rules set forth in IAS 39. As regards financial liabilities, the main amendment is instead related to accounting for fair value changes of a financial liability designated as measured at fair value through profit or loss, in the event that these are due to a change in the credit risk of the liability itself. According to the new standard, these changes should be recognised under Other comprehensive gains/(losses) and will no longer be entered in the income statement;

- impairment of financial assets. The standard establishes that the entity should recognise the expected losses on its financial assets, where "loss" means the present value of all future lost revenue, also providing adequate information on the estimation criteria used;
- hedging operations (hedge accounting). IFRS 9 introduces a number of significant changes that mainly regard the effectiveness test, as the 80-125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged instrument and the hedging instrument, accounting only for the cost of the hedge, and extending the hedged elements and the disclosure required.

IFRS 9 will be applicable prospectively starting from 1 January 2018.

- On 21 November 2013 the IASB published certain minor amendments to IAS 19 "Employee Benefits". These amendments, endorsed on 17 December 2014 and applicable retrospectively from 1 January 2016, regard the simplified accounting treatment of contributions to defined benefit plans by employees or third parties in specific cases.

- In May 2014 the IASB issued an amendment to the standard IFRS 11 "Joint Arrangements" which provides the guidelines on the accounting treatment to be adopted in the case of acquisitions of equity interests in joint operations, the activity of which meets the definition of a "business" as defined in IFRS 3 "Business Combinations". The amendment is applicable starting from 1 January 2016.

- The amendments to the standards IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" issued by the IASB in May 2014, clarify that use of a revenue-based method as the parameter for calculating depreciation or amortisation of property, plant and equipment and intangible assets is not appropriate, because revenues generated by an asset which entails the use of property, plant and equipment and intangible assets generally reflect factors other than deterioration of the economic benefits embodied in the assets themselves. The amendment is applicable starting from 1 January 2016.

- In January 2014 the IASB published the standard IFRS 14 "Regulatory Deferral Accounts", which permits an entity which is a first-time adopter of the IAS/IFRS International Financial Reporting Standards to continue to measure accounting items associated with regulated activities in accordance with the accounting standards used previously. The present standard will be applicable starting from 1 January 2016.

- On 28 May 2014 the IASB issued the standard IFRS 15 "Revenue from Contracts with Customers". The purpose of the new standard is to establish the criteria to be adopted in order to provide users of financial statements with information about the nature, amount and uncertainties associated with revenue and cash flows deriving from existing contracts with customers. The standard in question applies if all the following conditions are met:
  i. the parties have approved the contract and have undertaken to perform their respective obligations;
  ii. each party's rights in relation to the goods or services to be transferred and the payment terms have been identified;
  iii. the contract signed has commercial substance (the risks, timing or amount of the future cash flows of the entity can change as a result of the contract);
  iv. it is probable that the amounts associated with performance of the contract will be collected and paid.

  The new standard, which will replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", will be applicable starting from 1 January 2018.

- In August 2014 the IASB issued an amendment to the standard *IAS 27 - Separate Financial Statements* which reintroduces the possibility of measuring equity investments in subsidiaries, associates and joint arrangements using the equity method in separate financial statements. The amendment is applicable starting from 1 January 2016.

- On 11 September 2014 the IASB issued an amendment to IAS 28 which governs the treatment of gains/losses deriving from "upstream" or "downstream" transactions between a company and one of its associates or joint ventures, distinguishing between sales of businesses as defined by IFRS 3 (total recognition) and simple assets (partial recognition). The amendment is applicable starting from 1 January 2016.

- On 24 September 2014 the IASB issued a collection of amendments to the IFRSs (*Annual Improvements to IFRSs – 2012-2014 Cycle)* which regard mainly: a) specific guidance on "assets held for distribution to owners" in the context of IFRS 5 – *Assets Held for Sale*; b) definition of the discount rate for the purposes of *IAS 19 – Employee Benefits*. The amendment is applicable starting from 1 January 2016.

Use of estimates

In order to prepare the condensed interim financial statements in compliance with the IFRSs, estimates and related assumptions are based on previous experience and other factors, which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. The later results that derive from occurrence of the events could differ from these estimates. Estimates have been used to recognise the accrual of some sales revenue, provisions for credit risks, risks for inventory obsolescence, amortisation/depreciation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and financial assets available for sale, taxes and other provisions for risks. These estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which they are revised, if the revision refers only to the period under evaluation. Should the revision involve both current and future periods, the variation is recognised in both the year in which the revision occurs and in the related future periods.

It should also be noted that certain complex valuation processes, such as the determination of any impairment losses on non-current assets, are generally carried out in full only on preparing the annual financial statements, when all the information that may be needed is available, except in cases when there is evidence of impairment that requires an immediate measurement of any losses.

In accordance with IAS 36, during the first half of 2015 the Group checked the non-existence of specific impairment triggers with particular reference to goodwill; in addition no impairment indicators emerged in relation to specific assets and equity investments.

In the same way, the actuarial valuations necessary to determine employee benefit funds are normally carried out on the occasion of preparing the annual financial statements.

Seasonality

We can also note that the Iren Group's results for the period reflect the seasonality characteristic of the sectors in which it operates. These are influenced above all the weather trends, and consequently cannot be extrapolated for the entire year.

II. CHANGES IN THE CONSOLIDATION SCOPE COMPARED TO 31 DECEMBER 2014

The consolidation scope includes the companies directly or indirectly controlled by the parent.

During the first half of 2015 there were no transactions that modified the Iren Group's consolidation scope.

For the full list of investments, reference should be made to the Annexes.

We can remind you that, with effect from 23 December 2014, the Iren Group acquired control over the company AMIAT S.p.A., which manages environmental services for the Municipality of Turin. Following this operation, at 31 December 2014 the financial balances of the company were fully consolidated. From 1 January 2015 the Group's consolidated income statement also includes the economic amounts of the subsidiary; the economic results of the first half of 2015 are therefore affected, unlike in the comparative period, by the inclusion of this entity in the consolidation scope.

III. GROUP FINANCIAL RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect.
A summary of the risk management models is presented below, with reference to those of a financial nature (liquidity risk, exchange rate risk, interest rate risk, credit risk) and to those related to fluctuations in the prices of energy commodities.

1. FINANCIAL RISKS

a) Liquidity risk
Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department is centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collection and payments within its current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infra-group accounts along with the related interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions to the accounts of the Parent.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored; no critical points have emerged regarding the coverage of current financial commitments. At 30 June 2015 the short-term bank credit facilities used by the Parent totalled Euro 192 million.
The nominal cash flows required to settle financial liabilities and the contractual conditions of the existing loans were substantially unchanged with respect to what was presented in the Consolidated Financial Statements at 31 December 2014 in the paragraph “a) Liquidity risk” in Section “VI. Group financial risk management”.

Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions. During the first half of 2015, the Iren Group took out new medium/long-term loans totalling Euro 250 million, entirely for the Parent. Details of the activities carried out in this area and of the individual transactions are shown in the paragraph Financial Income and Expense.

At 30.06.2015, 63% of the residual amount payable for loans was contractualised at a fixed interest rate and 37% at a floating rate.
With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), we can note that the clauses in Iren's loan agreements are being observed. In particular, for certain medium/long-term loan agreements Iren is committed to observing financial covenants (such as Debt/EBITDA, EBITDA/Financial expenses ratios) with annual verification. Moreover, other covenants have been provided for. One is the Change of Control clause, which states that the IREN Group should be kept under direct and indirect control by Local Authorities. In addition, there are Negative Pledge clauses, under which the company undertakes not to give collateral beyond a specific limit, and the *Pari Passu* clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.
The medium/long-term loan agreements of certain companies which contribute to the Group's Net Financial Position also envisage the observance of financial covenants which have been satisfied.

b) Exchange rate risk
Except as indicated under the section on energy risk, the Iren Group is not significantly exposed to exchange rate risk.

c) Interest rate risk
The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. The Iren Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.
In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with financial counterparties of high credit standing, for the sole purpose of cash flow hedging. At 30 June 2015, except for certain marginal positions, all contracts to limit exposure to interest rate risk were classified as cash flow hedges in that they satisfy the requisites for the application of hedge accounting.
The fair value of the above-mentioned interest rate hedges was a negative Euro 33,151 thousand at 30 June 2015.
The hedging contracts agreed, together with fixed-rate loans, hedge approximately 75% of gross financial indebtedness and 97% of net financial indebtedness against interest rate risk, in line with the IREN Group's target of maintaining a balance between positions at floating rate and positions at fixed rate or in any case hedged against significant increases in interest rates.
For a more complete understanding of the interest rate risks to which the Group is subject, stress testing is performed annually at 31.12 on the sensitivity of net financial expense and evaluation components in derivatives contracts to changes in interest rates.

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electrical energy, district heating, gas and the provision of water and environmental services. The receivables show no particular concentration since the exposure is spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public entities).
In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects the current unfavourable economic and financial situation.
To limit exposure to credit risk, a number of tools have been introduced and identified. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes.
The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.
Credit risk is covered, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing.
An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, “protected customer” electrical energy sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.
The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.
Provisions set aside for impairment of receivables accurately reflect the effective credit risk through assessments based on extracting the individual receivable items recorded in the databases and analysing them, specifically taking into account ageing, as well as comparison with historical losses on receivables and determination of the average non-payment rate.

In view of the continuing unfavourable economic situation, the control over credit risks has been improved by strengthening the monitoring and reporting procedures, in order to promptly identify possible countermeasures .
In addition, on a quarterly basis the Risk Management Department collects and integrates the main data on trade receivables of the Group companies, in terms of customers, business chain and ageing band.

Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

With reference to credit concentration we can note the relations between the subsidiaries AMIAT and Iren Servizi e Innovazione and the Municipality of Turin. For further details see the Note “Non-current financial assets” of the consolidated financial statements.

3. ENERGY RISK

The Iren Group is exposed to price and currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, as both purchases and sales are impacted by fluctuations in the prices directly or through indexing formulae.
The Group's strategy is to minimise the need to turn to the financial markets for hedges, both by aligning the indexing of the commodities purchased and sold and by exploiting, vertically and horizontally, its various business segments.
For this purpose, the Group carries out planning of its plants production and purchases of electrical energy, with the aim of balancing energy self-production and market supply with the demand of Group customers.

In November and December 2014, two commodity derivative contracts (Commodity swaps on TTF index) were entered into as an energy portfolio hedge for 2015, for a total notional amount of 877 GWh.
The fair value of agreements still in force on 30 June 2015 is a negative total of Euro 901 thousand.
Iren Mercato trading operations involve negotiating physical and financial contracts on the electrical energy market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, Itmix, BINE) and trading on the IDEX. At 30 June 2015 two contracts were in place that originate from such assets or classified in the specific Trading Portfolio. The net value was zero.

RECOGNITION OF DERIVATIVES

Derivatives are measured at fair value, determined on the basis of market values or, if unavailable, according to an internal measurement technique.
The Group deals with derivatives with the purpose of hedging specific currency, rate or price risks.
In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IAS 39 requirements in order to record them in compliance with the hedge accounting rules and transactions that do not abide to all of the above-mentioned requirements.

Transactions recognised in compliance with hedge accounting rules

These transactions may include:
- fair value hedging transactions: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in the income statement;
- cash flow hedging transactions: the derivative is recognised at fair value with a counterpart in a specific equity reserve for the effective component of the hedge and in the income statement for the ineffective component; when the hedged item arises, the amount suspended in equity is reversed to the income statement.

Classification in the income statement of the ineffective component and the deferred amount transferred from equity is based on the nature of the underlying instrument; in the case of commodity derivatives, this amount is accounted for in the gross operating margin, while in the case of interest rate risk hedges in financial income and expenses.

Transactions not recognised in compliance with hedge accounting rules

The derivative is recognised at fair value in the statement of financial position.

The change in the fair value of the derivative is recognised in the income statement and is classified based on the type of underlying instrument:
- in the case of commodity derivatives, in the gross operating profit/loss; specifically, the realised component is recognised to adjust the income or expense which it refers to, while the portion determined from measuring the derivative at the end of the period is classified under other expense or other income;
- in the case of interest rate risk hedges, in financial income or expense.

As regards the measurement of the derivative in the statement of financial position items, the fair value of the derivative is recognised in non-current financial assets and liabilities if the related underlying item is a non-current item. Conversely, the derivative is recognised in current financial assets and liabilities if the underlying item is settled within the reference period.

FAIR VALUE

In addition to the carrying amount, the fair value, along with the methods and major assumptions used to determine it, must be disclosed for every asset and liability class shown in the financial statements.
Fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense discounted at year end. The present value of future flows is determined by applying the curve of forward interest rates at the reporting date. In addition to measuring fair value, as required by IFRS 13, counterparty default risk was also considered.
In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

thousands of euro

	30.06.2015		31.12.2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets for hedging derivatives	318	318	-	-
Bonds collectible after one year (*)	(811,459)	(871,278)	(815,095)	(903,692)
Loans - non-current portion	(1,518,640)	(1,611,977)	(1,352,935)	(1,407,958)
Loans - current portion	(184,486)	(224,761)	(212,244)	(251,513)
Liabilities for hedging derivatives	(33,469)	(33,469)	(39,884)	(39,884)
Total	**(2,547,736)**	**(2,741,167)**	**(2,420,158)**	**(2,603,047)**

(*) At 30.06.2015, the fair value of the Put Bond was Euro 189,931 thousand (Euro 196,106 thousand at 31.12.2014)

As regards financial asset and liability classes which are not included in the table above, the carrying amount is equal to fair value.

FAIR VALUE HIERARCHY

The following table shows financial instruments recognised at fair value, based on the measurement technique used. The various levels were defined as shown below:
- Level 1: prices listed (not adjusted) on active markets for identical assets or liabilities
- Level 2: input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices)
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

thousands of euro

30.06.2015	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	388			388
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets		318		318
Total assets	**388**	**318**	**-**	**706**
Derivative financial liabilities		(34,370)		(34,370)
Grand total	**388**	**(34,052)**	**-**	**(33,664)**

thousands of euro

31.12.2014	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	388			388
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets				-
Total assets	**388**	**-**	**-**	**388**
Derivative financial liabilities		(41,678)		(41,678)
Grand total	**388**	**(41,678)**	**-**	**(41,290)**

All the Group's hedging instruments have a fair value which can be classified at level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the price of the financial instrument, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.
We can also note that no transfers occurred amongst the various Levels of the fair value hierarchy.

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

On 13 March 2015 the Board of Directors of Iren S.p.A., with the opinion in favour of the Transactions with Related Parties Committee, adopted a new version of the “Internal Regulation on transactions with related parties” (hereinafter also the “TRP Regulation”), (already approved on 30 November 2010 and amended on 6 February and 3 December 2013) in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-bis of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the “Consolidated Law on Finance” or TUF);
- the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the “Consob Regulation”).

Iren S.p.A. and its subsidiaries base related party transactions in on principles of transparency and correctness. A good part of these relations concern services provided to the customers in general (gas, water, electrical energy, heat, technological services in general, etc.) and are governed by contract rules normally applicable to these situations.
Where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

Transactions with subsidiaries and associates

<u>Intercompany Services</u> - In order to make best use of the organisational synergies, the Iren structure was designed in accordance with a Holding model, with sufficient staff structures to support the coordination activity of the Group and to deal with the most challenging matters of general interest. Therefore, Iren can provide professional services to the first-level companies and subsidiaries, according to their needs, based on service agreements signed by the parties.
All these activities are governed by special supply contracts at arm’s length terms.

<u>Financial management</u> - Organisational solutions were adopted with the aim of centralising financial management for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing.
To this end, loans are taken out by Iren with financial institutions, whereby the funds are subsequently transferred to the Group’s companies to support the investments made, based on intercompany loan agreements.
The Board of Directors also approved the regulation of financial transactions between the Parent and the First-level Companies, regarding both the cash pooling of resources available within the Group for day to day requirements (working capital), and the management of resources needed to support non-current investments. The conditions of intercompany contracts, signed based on the above regulation, were defined according to the conditions at which the Parent procures on the financial market.

<u>Tax consolidation scheme</u> - Starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to Arts 117 et seq. of the new Consolidated Income Tax Act (TUIR). Under this approach, IRES is calculated on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.
All financial and legal transactions between the parties are governed by the specific intra-group agreement between the companies involved and the parent, Iren S.p.A.
The new 2015 tax consolidation perimeter therefore includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, IREN Servizi e Innovazione, IREN Acqua Gas, IREN Mercato, IREN Energia, IREN Gestioni Energetiche, AGA, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia, Eniatel, Tecnoborgo, IREN Ambiente, IREN Ambiente Holding, IREN Emilia, Genova Reti Gas, IREN Rinnovabili, Green Source, Enìa Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico, Agriren , TLR V and AMIAT.

In particular, this contract covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
Italian Law No. 244 of 24 December 2007 (2008 Budget Law), with effect starting from the 2008 tax period, radically changed the group taxation rules. It abolished all consolidation adjustments provided for by Art. 122 of the Consolidated Income Tax Act, abrogated the rules regarding intra-group transfers pursuant to Art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income the surplus interest expense of the participating companies that may have accrued due to the new interest expense deductibility provisions set forth in Art. 96 of the said Act.
By reason of regulatory amendments, the Regulations in force were drawn up following the above-mentioned principles, pursuant to the provisions of Art. 22.
After the companies chose to adhere to the tax consolidation scheme, in consideration of the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent "tax settlements" equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.
The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the parent is able to determine the total group Income for IRES purposes.
The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to Art. 127, paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.
With reference to group companies that operate in the production, trading, transportation or distribution sectors of natural gas or electrical energy, also generated from renewable sources, these, following the judgement of 11 February 2015 of the Constitutional Court which considered it unconstitutional, are no longer subject to the 6.5% IRES surcharge starting from 2015.

Group VAT option - In terms of procedures the payment of Group VAT involves the transfer to the parent IREN S.p.A. of all obligations regarding VAT settlements and periodic payments.
The companies that take part in the settlement procedure are the parent Iren S.p.A. and the following companies: IREN Energia S.p.A., IREN Servizi e Innovazione S.p.A., IREN Acqua Gas S.p.A., IREN Mercato S.p.A., AEM Torino Distribuzione S.p.A., IREN Gestioni Energetiche S.p.A. (formerly CAE AMGA Energia S.p.A.), Genova Reti Gas S.r.l., IREN Ambiente S.p.A., IREN Ambiente Holding Iren Emilia S.p.A., ENIA Solaris S.p.A., Idrotigullio S.p.A., Mediterranea delle Acque S.p.A., Nichelino Energia S.r.l,, IREN Rinnovabili S.p.A. , TLR Veicolo S.p.A., Agriren, Greensource, Millenaria fotovoltaico, Varsi fotovoltaico, O.C.Clim S.r.l. and Tecnoborgo.

Other significant transactions with associates
During the first half of 2015, Iren Mercato's operations continued through a gas supply contract entered into with the associate Sinergie Italiane. This allowed the company to supply not only the Genoa and Emilia catchment areas, but also some trading companies belonging to the Iren Group.
Following the start-up of TRM S.p.A.'s waste-to-energy plant, during 2013, the following contracts were activated with the associate:
- "Operating Rules" related to the contract for Iren Ambiente to maintain the plant. The relations between Iren Ambiente and TRM regard, in addition, disposal in landfills of sludge and ash which remain after combustion and, marginally, conferment of waste by Iren Ambiente to the waste-to-energy plant;
- contract for the supply of electricity produced by the waste-to-energy plant to Iren Mercato.
- contract related to conferment of undifferentiated waste by AMIAT to the waste-to-energy plant.

Transactions with related-party shareholder Municipalities

Iren S.p.A. provides Finanziaria Sviluppo Utilities S.r.l., a special purpose company through which the Municipalities of Genoa and Turin hold their equity investment in Iren S.p.A., with a series of services in the legal, administrative, financial and tax areas, in accordance with specific agreements that provide for adequate remuneration for the services.

It is important to note, furthermore, the relations with local authorities on whose territory Iren also operates through its subsidiaries.
Through Iren Servizi e Innovazione the Iren Group provides various services to the Municipality of Turin in support of its activities for the benefit of the citizens, such as management of street lighting and traffic light services, management of heating and electrical systems of municipal buildings or buildings used to provide services to the community, global services and others. The services rendered by Iren Servizi e Innovazione are governed by specific long-term agreements.
It should be remembered that there is an agreement in place, signed during 2012, with the Municipality of Turin, which provides for the reduction of receivables due to the Iren Group from the Municipality of Turin and the amendment of some provisions of the current service conventions. This agreement was supplemented with addenda signed in 2013 and 2014 regarding the settlement of certain economic items, the Municipality's commitment to allocating amounts for extraordinary maintenance and the start-up of a joint working party for benchmark analysis and definition of optimum maintenance plans.

Iren Mercato supplies the Municipalities of Genoa, Reggio Emilia, Parma and Piacenza with electricity and gas to the Municipalities of Genoa, Reggio Emilia and Parma, at the conditions normally applied to all other customers. Its subsidiary, CAE S.p.A., provides services relating to the management of air conditioning systems in public buildings and to the management of technological systems at sports and public service facilities to the Municipality of Genoa, on the basis of long-term contracts.

Iren Acqua Gas, through its subsidiary Mediterranea delle Acque S.p.A., provides the offices and facilities of the municipality of Genoa and directly the Municipalities of Reggio Emilia and Parma with drinking water and sewers based on supply contracts similar to those signed with all other customers.

AMIAT provides the Municipality of Turin with environmental health and snow clearing services, and performs post-operative management of the "Basse di Stura" landfill site in accordance with the Service Contract in being since 1 January 2013, awarded through a public tender procedure, which provides for conditions substantially similar to those applied to all other customers. In this regard we can note that a current account contract was signed by the City of Turin and AMIAT S.p.A. for management of the receivables related to the above activities, with effect from 1 January 2015.

Iren Emilia and Iren Ambiente provide:

a) the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services at the conditions normally applied to all other customers;
b) the Municipality of Piacenza with drinking water and sewerage services based on supply contracts similar to those signed with all other customers;
c) the Municipality of Parma with public lighting services;
d) the Municipality of Reggio Emilia with public park maintenance and snow clearing services;
e) the Municipality of Piacenza with public park maintenance, snow clearing and cemetery services.

It is worth recalling that a settlement agreement was signed with the Municipality of Parma to settle the credit/debit position with some Iren Group companies.

Transactions with other related-party shareholders

In accordance with the "Internal regulation on transactions with related parties", Iren's Directors defined the Intesa Sanpaolo Group as a related party. The Group has financial relations with the Intesa Sanpaolo Group, mainly relating to various loan types such as mortgage loans, credit lines and current accounts.

In addition, to supply the integrated water service in the provinces of Parma, Piacenza and Reggio Emilia, the company Iren Acqua Gas, with the payment of an annual lease, uses the assets of the companies Parma Infrastrutture, Piacenza Infrastrutture and AGAC Infrastrutture, controlled by the Municipalities involved.

Information on financial transactions with related parties is presented in paragraph "X. Annexes to the condensed consolidated interim financial statements" which is considered an integral part of these notes.

Transactions with Directors

Lastly, with regard to directors, we can note that other than regarding their offices held within the Group companies there have been no transactions with the directors.

V. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
In the first half of 2015 the Group did not carry out significant non-recurrent events and/or transactions, as defined in the Communication, such as events or transactions the occurrence of which is non-recurring or transactions or events which are not repeated frequently in the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations
We can specify that during the first half of 2015 the Group did not engage in any atypical and/or unusual operations, as defined in the Communication. Atypical and/or unusual operations are operations which owing to their significance/relevance, nature of the counterparties, subject of the transaction, the method by which the sales price is calculated and the timescale of the event (nearness to reporting date) may give rise to doubts with regard to the correctness/completeness of the information given in the financial statements, conflict of interest, safeguarding of the company's equity and protection of minority shareholders.

Publication of the Financial Statements
The Interim Report was approved for publication by IREN S.p.A.'s Board of Directors at its meeting of 27 August 2015.

VI. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Unless otherwise stated, the following tables are in thousands of Euro.

ASSETS

NON-CURRENT ASSETS

NOTE 1_PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, divided between historical cost, accumulated depreciation and carrying amount, is shown in the following table:

thousands of euro

	Cost at 30/06/2015	Accumulated depreciation at 30/06/2015	Carrying amount at 30/06/2015	Cost at 31/12/2014	Accumulated depreciation at 31/12/2014	Carrying amount at 31/12/2014
Land	*93,894*	*(1,551)*	*92,343*	*93,846*	*(1,551)*	*92,295*
Buildings	*420,935*	*(126,928)*	*294,007*	*421,074*	*(120,597)*	*300,477*
Land and Buildings	514,829	(128,479)	386,350	514,920	(122,148)	392,772
Plant and machinery	4,161,654	(1,703,084)	2,458,570	4,143,399	(1,635,059)	2,508,340
Industrial and commercial equipment	100,851	(75,346)	25,505	103,212	(75,809)	27,403
Other assets	192,588	(163,593)	28,995	193,451	(163,838)	29,613
Assets under construction and payments on account	33,846	-	33,846	34,118	-	34,118
Total	**5,003,768**	**(2,070,502)**	**2,933,266**	**4,989,100**	**(1,996,854)**	**2,992,246**

The variation in the historical cost of property, plant and equipment is shown in the following table:

thousands of euro

	Opening balance	Increases	Decreases	Reclassifications	Closing balance
Land	*93,846*	*41*		*7*	*93,894*
Buildings	*421,074*	*1,037*	*(1,200)*	*24*	*420,935*
Land and buildings	514,920	1,078	(1,200)	31	514,829
Plant and machinery	4,143,399	18,310	(13,864)	13,809	4,161,654
Industrial and commercial equipment	103,212	1,630		(3,991)	100,851
Other assets	193,451	4,201	(5,305)	241	192,588
Assets under construction and payments on account	34,118	9,961	(143)	(10,090)	33,846
Total	**4,989,100**	**35,180**	**(20,512)**	**-**	**5,003,768**

The variation in accumulated depreciation is shown in the following table:

thousands of euro

	Opening balance	Depreciation for the period	Decreases	Reclassifications	Closing balance
Accumulated depreciation, land	*(1,551)*				*(1,551)*
Accumulated depreciation, buildings	*(120,597)*	*(7,531)*	*1,200*		*(126,928)*
Accumulated depreciation, buildings	(122,148)	(7,531)	1,200	-	(128,479)
Acc. depreciation, plant and machinery	(1,635,059)	(77,567)	13,278	(3,736)	(1,703,084)
Acc. depreciation, ind. and comm. equipment	(75,809)	(3,273)		3,736	(75,346)
Accumulated depreciation of other assets	(163,838)	(5,023)	5,268		(163,593)
Total	**(1,996,854)**	**(93,394)**	**19,746**	**-**	**(2,070,502)**

Land and buildings

This item primarily includes industrial buildings connected with Group plants and related land.

Plant and machinery

This item refers to costs for electrical energy production plants, heat production plants, electrical energy distribution networks, gas distribution networks, heat distribution networks and plants related to waste disposal services not operated under concessions as per IFRIC 12. Freely transferable assets are included in the assets of electrical energy production plants.

The increases in the period, equal to Euro 18,310 thousand, mainly refer to:

- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for Euro 3,359 thousand;
- installation of new electronic meters for end customers and new connections to the electricity distribution network, totalling Euro 8,985 thousand;
- investments in cogeneration and hydroelectric plants of Euro 1,920 thousand;
- installation of new electronic meters for final customers in relation to the gas network for Euro 1,608 thousand.

Industrial and commercial equipment

This item includes costs related to the purchase of supplementary or auxiliary assets for plants and machinery, such as rubbish bins, laboratory and other equipment.

Other assets

This item refers to costs for the purchase of office furniture and machines and vehicles.

Assets under construction and payments on account

The item assets under construction includes all expenses incurred for investments in progress and not yet in operation.

Depreciation

Ordinary depreciation for the first half of 2015, totalling Euro 93,394 thousand, was calculated on the basis of the rates indicated in the 2014 annual financial statements and considered representative of the residual useful life of the assets.

It is worth noting that, with Italian Law No. 134 of 7 August 2012, Parliament amended the regulations in force regarding the large shunt concessions for hydroelectric purposes (“hydroelectric concessions”).

The regulation also sets out that the outgoing operator shall be granted an amount calculated:

- as regards “wet assets” (collection, regulation works, penstocks, drain pipes included in the business branch of the outgoing operator, the “transferable assets”), based on the revalued historical cost, net of public capital grants, revalued, received by the operator for the construction of these assets, less normal wear;

- as regards “dry assets” (property, plant and equipment included in the business unit of the outgoing operator and not included in the “wet assets” category, the so-called non-transferable assets), based on the reconstruction value, less normal wear.

As a result of this legislation, starting from 2012, for transferable assets related to expired hydroelectric concessions with a residual carrying amount lower than the estimated amount payable to the outgoing operator (calculated based on the above provisions), the related depreciation has been suspended.

Lastly, no assets are pledged against liabilities.

NOTE 2_INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

thousands of euro

	Cost at 30/06/2015	Accumulated depreciation at 30/06/2015	Carrying amount at 30/06/2015	Cost at 31/12/2014	Accumulated depreciation at 31/12/2014	Carrying amount at 31/12/2014
Land	2,861	-	2,861	2,861	-	2,861
Buildings	12,618	(1,228)	11,390	12,618	(1,052)	11,566
Total	**15,479**	**(1,228)**	**14,251**	**15,479**	**(1,052)**	**14,427**

The item consists mainly of properties acquired from the company Sportingenova against the settlement of part of the receivable due from that company.

The fair value of investment property is not lower than the carrying amount.

NOTE 3_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

Intangible assets, broken down between historical cost and accumulated amortisation, are shown in the following table:

thousands of euro

	Cost at 30/06/2015	Accumulated amortisation at 30/06/2015	Carrying amount at 30/06/2015	Cost at 31/12/2014	Accumulated amortisation at 31/12/2014	Carrying amount at 31/12/2014
Development costs	751	(743)	8	526	(526)	-
Industrial patents and similar rights	103,141	(88,037)	15,104	64,399	(51,476)	12,923
Concessions, licences, trademarks and similar rights	1,700,765	(633,000)	1,067,765	1,659,768	(590,813)	1,068,955
Other intangible assets	65,803	(43,256)	22,547	135,332	(94,563)	40,769
Assets under construction and payments on account	142,497	-	142,497	112,023	-	112,023
Total	**2,012,957**	**(765,036)**	**1,247,921**	**1,972,048**	**(737,378)**	**1,234,670**

The variation in the historical cost of intangible assets is shown in the following table:

thousands of euro

	Opening balance	Increases	Decreases	Reclassifications	Impairment losses for the period	Closing balance
Development costs	526			225		751
Industrial patents and similar rights	64,399	1,869	(10,027)	46,900		103,141
Concessions, licences, trademarks and similar rights	1,659,768	19,588	(182)	21,690	(99)	1,700,765
Other intangible assets	135,332	8,765	(11,748)	(66,546)		65,803
Assets under construction and payments on account	112,023	32,864		(2,269)	(121)	142,497
Total	**1,972,048**	**63,086**	**(21,957)**	**-**	**(220)**	**2,012,957**

Changes in accumulated amortisation are shown in the following table:

thousands of euro

	Opening balance	Depreciation for the period	Decreases	Reclassifications	Closing balance
Acc. amort., development costs	(526)	(1)		(216)	(743)
Acc. amort. of ind. patents and similar rights	(51,476)	(3,865)	9,527	(42,223)	(88,037)
Acc. amortisation of licences, trademarks and similar rights	(590,813)	(29,651)	182	(12,718)	(633,000)
Acc. amortisation of other intangible assets	(94,563)	(3,850)		55,157	(43,256)
Total	**(737,378)**	**(37,367)**	**9,709**	**-**	**(765,036)**

The decreases in “Other intangible assets” refer mainly to cancellation of the emission trading credits in the portfolio owing to fulfilment of the annual obligation of financial year 2014.

Besides the entry into operation of previous investments in progress, the changes in the item “Reclassifications” refer mainly to the transfer from the item “Other intangible assets” to the items “Industrial patents and intellectual property rights” and “Concessions, licenses, trademarks and similar rights” of fixed assets related to costs incurred for the internal production of protected software and for the purchase or adaptation of licensed software applications.
This transfer is part of an improvement process with a view to restating these accounting items, previously included in the residual category “Others”.

The breakdown of the items that make up intangible assets is presented below.

Industrial patents and intellectual property use rights
This item mainly relates to the total costs borne for the purchase and internal production of corporate and management software and the acquisition of rights for the exclusive use of technical studies on the statistical trend of network losses, amortised over five years.

Concessions, licences, trademarks and similar rights

This item is primarily composed of:

- assets recognised in application of IFRIC 12, related to the operating segments of natural gas distribution, the Integrated Water Service and, marginally, district heating;
- the right of use of aqueduct networks by virtue of the concessions granted by the municipality of Genoa and other neighbouring municipalities;
- concessions for the use of the IT network of third party operators;
- costs incurred for in-house customisation of licensed software applications.

Other intangible assets

This item is primarily composed of:

- expense for the ordinary maintenance of electrical systems and special installations of the Municipality of Turin, capitalised and amortised over the term of the fifteen-year agreement;
- emission trading quotas held for internal needs;
- costs for the commercial development of customers.

Assets under construction and payments on account

This item mainly consists of investments for concession services governed by IFRIC 12, in addition to software licences and related implementation costs.

NOTE 4_GOODWILL

This item totals Euro 124,407 thousand (unchanged with respect to 31 December 2014) and mainly refers to goodwill for:

- acquisition of control over Acqua Italia S.p.A. (now Mediterranea delle Acque S.p.A.), where the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recognised as goodwill of Euro 23,202 thousand (allocated to the integrated water service CGU);
- acquisition of ENEL's business unit related to the distribution and sale of electrical energy to non-eligible customers in the Municipality of Turin, in which the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recognised as goodwill for Euro 64,608 thousand (allocated to the energy infrastructures CGU, especially electrical energy networks);
- the business unit purchased from ENEL at the end of 2000 and referred to electrical facilities of the city of Parma, for an amount of Euro 10,444 thousand (allocated for Euro 3,023 thousand to energy infrastructures CGU, especially electricity networks, and for Euro 7,421 thousand to the market CGU);
- shares in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison, for an amount of Euro 16,761 thousand (allocated to the market CGU).

Goodwill is considered an intangible asset with an indefinite useful life. Therefore, it is not amortised, but annually tested for impairment to check whether the carrying amount is still recoverable.
As stated above in paragraph I "Content and structure of the condensed consolidated interim financial statements" of the present report, in the first half of 2015, in accordance with IAS 36, the Group checked the non-existence of specific impairment triggers with particular reference to goodwill.

NOTE 5_EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity investments accounted for using the equity method are equity investments in companies in which the Group has joint control or exercises a significant influence.
The Group companies measured using the equity method at 30 June 2015 are shown in an annex.
Changes in the period are shown in the tables below.

Equity investments in joint ventures

thousands of euro

	31/12/2014	Increases/ Decreases	Reversals/impairment losses in equity	Other changes	30/06/2015
Iren Rinnovabili	16,561	-	(145)	-	16,416
OLT Offshore LNG	29,622	-	(3,060)	-	26,562
Società Acque Potabili	27,337	385	-	(27,722)	-
Acque Potabili (formerly Sviluppo Idrico)	12,008	-	-	27,722	39,730
TOTAL	**85,528**	**385**	**(3,205)**	**-**	**82,708**

The other changes relate to the merger by incorporation of the Company Acque Potabili S.p.A. into Sviluppo Idrico S.p.A., which occurred on 20 January 2015, with accounting and fiscal effects starting retroactively from 1 January 2015.
With the same deed dated 20 January 2015 Sviluppo Idrico S.p.A. assumed the company name Acque Potabili S.p.A. For further details, see the disclosures in the paragraph “Significant events in the period” in the Report on Operations.

Equity investments in associates

thousands of euro

	31/12/2014	Increases/ Decreases	Reversals/impairment losses in equity	Dividend distribution	Measurements with direct effect on equity	Other changes	30/06/2015
A2A Alfa	463	-	(7)	-	-	-	456
Acos	8,095	-	618	(110)	(6)	7	8,604
Acos Energia	885	-	78	-	-	-	963
Acquaenna	-	-	-	-	-	-	-
Aguas de San Pedro	6,320	-	-	-	-	-	6,320
Aiga	285	-	-	-	-	-	285
Amat	3,071	-	-	-	-	-	3,071
Amter	657	-	-	-	-	-	657
Asa	24,090	-	5,020	-	469	2	29,581
Astea	20,575	-	616	(199)	(29)	(138)	20,825
Asti Energia e Calore	-	10	-	-	-	-	10
Atena	6,493	-	807	(684)	(102)	(18)	6,496
Domus Acqua	73	-	-	-	-	-	73
Fingas	5,314	-	659	-	-	-	5,973
Global Service Parma	6	-	-	-	-	-	6
Il tempio	152	-	26	(47)	-	-	131
Iniziative Ambientali	495	-	(6)	-	-	-	489
Mestni Plinovodi	4,860	-	-	-	-	-	4,860
Mondo Acqua	142	-	-	-	-	-	142
Nord Ovest Servizi	3,405	970	-	-	-	-	4,375
Rio Riazzone	222	-	-	-	-	-	222
Salerno Energia Vendite	1,939	-	147	(490)	-	-	1,596
Sea Power & Fuel	4	-	(4)	-	-	-	-
So.Sel.	777	-	67	-	-	-	844
Tirana Acque	-	-	-	-	-	-	-
TRM V	60,753	-	(62)	-	4,208	511	65,410
Valle Dora Energia Srl	498	-	39	-	-	-	537
TOTAL	**149,574**	**980**	**7,998**	**(1,530)**	**4,540**	**364**	**161,926**

The measurements with a direct effect on equity, a positive Euro 4,540 thousand, refer mainly to the proportion of the change in fair value, for the effective part, of the derivative entered into by TRM S.p.A., controlled by TRM V, to hedge the oscillation of interest rates on the existing loan.

NOTE 6_OTHER EQUITY INVESTMENTS

This item relates to equity investments in companies over which the Group has neither control, nor joint control, nor significant influence. Since their fair value could not be reliably determined, these investments were maintained at cost, adjusted for any impairment losses.
The list of other Group investments at 30 June 2015 is shown in an annex. No changes occurred in the period.

	30/06/2015	31/12/2014
Acque Potabili Siciliane	-	-
Astea Energia	7	7
Atena Patrimonio	10,645	10,645
Autostrade Centro Padane	1,248	1,248
BT Enia	2,110	2,110
C.R.P.A.	52	52
CIDIU	2,306	2,306
Consorzio Compost CIC	2	2
Consorzio Leap	10	10
Consorzio Topix	5	5
Cosme	2	2
CSP Innovazione nelle ICT	28	28
Energia Italiana	-	-
Environment Park	1,243	1,243
Fondo Core Multiutilities	100	100
RE Innovazione	8	8
Rupe	10	10
SDB Società di biotecnologie	10	10
Stadio di Albaro	27	27
T.I.C.A.S.S.	4	4
TOTAL	**17,817**	**17,817**

NOTE 7_NON-CURRENT TRADE RECEIVABLES

The item amounted to Euro 58,704 thousand (Euro 51,232 thousand at 31 December 2014) and refers to the receivables of the integrated water service for lower volumes supplied with respect to the constraint of revenue due to the operator; the current tariff method provides generally (unless the fee growth limit is reached) for their recovery in the fee after two years.

NOTE 8_NON-CURRENT FINANCIAL ASSETS

This item, equal to Euro 64,350 thousand (31 December 2014: Euro 66,439 thousand), refers to securities other than equity investments, financial receivables and the fair value of derivatives.

Securities other than equity investments
The item in question includes securities considered, on the basis of the provisions of IAS 39 – *Financial Instruments: Recognition and Measurement*, as held for sale or as investments held to maturity.

Specifically they amount to Euro 36 thousand (Euro 40 thousand at 31 December 2014) and refer to securities given as collateral to authorities, classified as held-to-maturity investments, and measured at amortised cost.

Non-current financial receivables and fair value of derivatives

thousands of euro

	30/06/2015	31/12/2014
Financial receivables from joint ventures	30,839	30,839
Financial receivables from associates	705	2,164
Financial receivables from related-party shareholders	31,071	32,141
Financial receivables from others	1,381	1,255
Fair value of derivatives – non-current share	318	-
Total	**64,314**	**66,399**

Non-current financial receivables from joint ventures regard receivables from Iren Rinnovabili (Euro 5,000 thousand) and from its subsidiaries Enia Solaris (Euro 18,000 thousand), Greensource (Euro 4,612 thousand), Millenaria (Euro 1,747 thousand) and Varsi (Euro 1,480 thousand).

Financial receivables from associates relate to amounts due from the companies Acquaenna and Aiga, whose amounts are not individually significant.

Receivables from related-party shareholders refer to amounts due from the Municipality of Turin for Euro 30,258 thousand and from the Municipality of Genoa for Euro 813 thousand.

The amounts due from the Municipality of Turin, which accrue interest in favour of the Group, refer to classification of the non-current portion of receivables on the current account used to settle trade and financial relations between the subsidiary Iren Servizi e Innovazione S.p.A. and the Municipality of Turin.
These receivables form part of an overall position, totalling Euro 187,980 thousand, and are divided among various accounting items according to their classification by type and maturity: Trade receivables (Note 12) and Current financial assets – financial receivables from Parents (Note 15), as shown in the following table.

thousands of euro

	30/06/2015	31/12/2014
Trade receivables for services on invoices issued	54,363	135,186
Trade receivables for services on invoices to be issued	4,933	8,095
Trade receivables for electrical energy and other supplies	10,803	14,755
Provisions for impairment of receivables	(5,388)	(5,388)
Total trade receivables	**64,711**	**152,648**
Non-current portion of financial receivables in current account	30,258	31,644
Total non-current financial receivables	**30,258**	**31,644**
Current portion of financial receivables in current account	88,600	16,100
Financial receivables for interest	4,411	3,208
Total current financial receivables	**93,011**	**19,308**
Total	**187,980**	**203,600**

We can note that at 31 December 2014 trade receivables included in the balance also those claimed by the company AMIAT from the Municipality of Turin for environmental and winter road management services, for Euro 126,947 thousand. Starting from 1 January 2015 part of these trade receivables (Euro 80,621 thousand at 30 June 2015) is recognised in current financial receivables, following the signing of a specific current account agreement, and classified as short-term.

From a prudential assessment carried out by the Directors, based on the agreements signed with the Municipality of Turin, it is estimated that approximately Euro 88.6 million of the financial receivables from the Municipality of Turin are collectible within 12 months.
The Iren Group's total exposure towards the Municipality of Turin decreased by Euro 15,620 thousand compared to 31 December 2014.

NOTE 9_OTHER NON-CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	30/06/2015	31/12/2014
Guarantee deposits	13,110	13,136
Tax assets after 12 months	16,565	13,928
Other non-current assets	3,263	4,190
Non-current accrued income and prepaid expenses	13,470	15,752
Total	**46,408**	**47,006**

Receivables for guarantee deposits refer mainly to amounts paid to the investee Sinergie Italiane.
Tax assets at more than 12 months mainly include the credits accrued following the application to deduct IRAP from IRES, Art. 2 paragraph 1 *quater* Italian Law Decree No. 201 of 6 December 2011 and the credits for the IRPEF advance on post-employment benefits paid in accordance with Italian Law 140/1997. In accordance with the relevant legislation, this amount has been recovered since 1 January 2000 and is revalued annually based on the same criteria used to revalue the post-employment benefits.
Prepayments mainly include the long-term prepaid portion, relating to energy service contracts signed by the subsidiary Iren Gestioni Energetiche S.p.A.

NOTE 10_DEFERRED TAX ASSETS

These total Euro 279,065 thousand (Euro 277,678 thousand at 31 December 2014) and refer to deferred tax assets deriving from elements deductible in future years. They also include the tax effect on adjustments made on IFRS first-time adoption.

CURRENT ASSETS

NOTE 11_INVENTORIES

Inventories, measured at weighted average cost, primarily comprise natural gas and consumables intended for maintenance and construction of the Group plants.

The summary of changes occurring over the period is as follows:

thousands of euro

	30/06/2015	31/12/2014
Raw materials	126,120	120,013
Inventory write-down provision	(39,821)	(39,680)
Carrying amount	**86,299**	**80,333**
Contract work in progress	1,051	1,326
Total	**87,350**	**81,659**

The increase in raw materials in the period was essentially due to measurement of the stock of environmental securities in the portfolio held for trading purposes.
The inventory write-down provision was set aside and is used to take into consideration inventories that are technically obsolete and slow-moving.

At 30 June 2015 no inventories were pledged against liabilities.

NOTE 12_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	30/06/2015	31/12/2014
Receivables from customers	853,454	878,030
Provisions for impairment of receivables	(153,776)	(142,578)
Net receivables from customers	**699,678**	**735,452**
Trade receivables from joint ventures	18,566	17,676
Trade receivables from associates	27,451	27,370
Trade receivables from other Group companies	10,370	19,578
Trade receivables from related-party shareholders	104,157	186,804
Provisions for impairment of receivables from related-party shareholders	(8,916)	(8,916)
Total	**851,306**	**977,964**

The reduction in receivables was essentially due to a decrease in trade receivables from related-party shareholders of Euro 82,646 thousand, for the reasons explained in Note 8 and to the reduction in net receivables from customers.
We can note that at 30 June 2015 factoring transactions were completed with derecognition of receivables for a total of Euro 60,295 thousand.

Trade receivables, gross of provisions for impairment of receivables, are broken down by maturity as follows:

thousands of euro

	30/06/2015	31/12/2014
Not past due	532,840	582,857
Past due from 0 to 3 months	130,698	158,753
Past due from 3 to 12 months	97,169	144,633
Past due for more than one year	253,290	243,215
Total	**1,013,998**	**1,129,458**

Receivables from customers
These mainly relate to receivables due for electrical energy, gas, water and heat supplies, environmental services and sundry services. The balance takes into account the provisions for impairment of receivables, illustrated below, for Euro 153,776 thousand (Euro 142,578 thousand at 31 December 2014).

Receivables from joint ventures
This item includes receivables from the Group joint ventures, consolidated with the equity method. These relate to normal trade transactions performed at arm's length. The balance refers for Euro 17,484 thousand to receivables from Acque Potabili S.p.A. For further details, please see the table of transactions with related parties shown in the annex.

Receivables from associates
These refer to normal commercial transactions, carried out at arm's length, for the most significant amounts with the associates TRM and ASA. For further details, please see the table of transactions with related parties shown in the annex.

Receivables from other Group companies
These relate to receivables from certain non-consolidated Group companies, relating to ordinary trading transactions performed at arm's length.

Receivables from related-party shareholders
Receivables from related-party shareholders refer to trading transactions performed at arm's length with territorial authorities (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with the company FSU. The balance takes into account the provisions for impairment of receivables of Euro 8,916 thousand (unchanged from 31 December 2014). For further details, please see the table of transactions with related parties shown in the annex.

The allowance for impairment features the movements shown in the following table:

thousands of euro

	31/12/2014	Decreases	Provisions set aside in the period	30/06/2015
Provisions for impairment of receivables	142,578	(11,392)	22,590	153,776
Provisions for impairment of receivables from related-party shareholders	8,916			8,916
Total	**151,494**	**(11,392)**	**22,590**	**162,692**

The provision was used to cover losses on receivables. The provisions for the half-year period take into account the usual and thorough analyses as well as the current economic situation.

NOTE 13_CURRENT TAX ASSETS

These amount to Euro 10,128 thousand (Euro 19,334 thousand at 31 December 2014) and include tax credits for IRES and IRAP advanced to the tax authority.

NOTE 14_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	30/06/2015	31/12/2014
Receivables for revenue tax/UTIF	8,560	65,388
VAT credit	2,629	4,027
Other tax assets	3,399	3,956
Tax assets due within one year	**14,588**	**73,371**
Receivables from CCSE	89,473	56,540
Green certificate receivables	8,261	43,939
Advances to suppliers	2,270	4,285
Other current assets	25,749	32,464
Other current assets	**125,753**	**137,228**
Accruals and deferrals	29,480	22,835
Total	**169,821**	**233,434**

We can note that at 30 June 2015 factoring transactions were completed with derecognition of receivables for green certificates, for energy-efficiency certificates and for Emission Trading for a total of Euro 77,860 thousand.
The decrease in receivables for income taxes is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.
The increase in receivables from the CCSE was due essentially to recognition of the estimates for electricity and gas equalisation in the period, as well as the constraint on total revenue in the gas distribution sector. In relation to these receivables a portion of the amounts shown may not be collectable within the next 12 months.

NOTE 15_CURRENT FINANCIAL ASSETS

This item, equal to Euro 546,148 thousand (31 December 2014: Euro 471,301 thousand), refers to securities other than equity investments and financial receivables.

Securities other than equity investments
The item in question includes securities considered, on the basis of the provisions of IAS 39 – *Financial Instruments: Recognition and Measurement*, as held for sale or as investments held to maturity.
In particular they amount to Euro 388 thousand (unchanged since 31 December 2014) and refer to government bonds classified as available for sale.

Financial receivables
All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their fair value as the impact of discounting is negligible.
The breakdown of financial receivables is presented below:

thousands of euro

	30/06/2015	31/12/2014
Financial receivables from joint ventures	443,638	437,762
Financial receivables from associates	4,916	4,423
Financial receivables from Municipalities shareholders-related parties	93,012	19,308
Other financial receivables	4,194	9,420
Total	**545,760**	**470,913**

Financial receivables from joint ventures
They mainly regard receivables from the joint venture OLT Offshore related to the loan granted by the company Iren Mercato for Euro 439,000 (Euro 433,000 thousand at 31 December 2014), receivables from the joint venture Acque Potabili S.p.A. (formerly Sviluppo Idrico S.p.A.) for Euro 2,461 thousand (Euro 2,418 thousand at 31 December 2014) and receivables from the Iren Rinnovabili Group for Euro 2,177 thousand (Euro 2,344 thousand at 31 December 2014).

Financial receivables from associates
These relate, in the amount of Euro 4,082 thousand (unchanged with respect to 31 December 2014), to receivables from the associate ASA related to the loan granted by Iren Mercato. The remainder refers to receivables from associates for single non-significant amounts. For further details please see the schedule of transactions with related parties shown in the annex.

Financial receivables from shareholders - related parties
These regard receivables on which interest accrues for the Group and amount to Euro 93,012 thousand (Euro 19,308 thousand at 31 December 2014). They refer to the short-term balance of the current account (and of the related interest) which governs trading and financial transactions between the subsidiaries Iren Servizi e Innovazione S.p.A. and AMIAT S.p.A. and the Municipality of Turin, as already described in Note 8, to which you are referred for further details.
The Directors prudently assessed the amount on the basis of agreements entered into with the City of Turin. The remaining part of the financial receivables from the Municipality was therefore classified under "Non-current financial receivables – receivables from shareholders - related parties" (Euro 30,258 thousand).

Other financial receivables
These include receivables for dividends of associates to be collected, accrued income and prepaid expenses of a financial nature and sundry financial receivables. At 31 December 2014 they also included the payment made to the company UCH Holding srl (Euro 6,000 thousand), repaid in the first quarter of 2015.

NOTE 16_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	30/06/2015	31/12/2014
Bank and postal deposits	29,009	50,387
Cash in hand and cash equivalent	448	1207
Other cash and cash equivalents	-	7
Total	**29,457**	**51,601**

Cash equivalents represented short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 17_ASSETS HELD FOR SALE

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They amount to Euro 5,443 thousand (Euro 10,762 thousand at 31 December 2014).

For Euro 4,940 thousand (Euro 9,440 thousand at 31 December 2014) they refer to the equity investment in Plurigas in liquidation. The investment was classified among assets held for sale because during 2014 the company ceased to do business. In the absence of a reliable and comparable market reference, and therefore assuming a fair value equal to the portion of equity held by the Group (30%), the carrying amount of the equity investment was written down for the value of the dividends distributed to Iren in the first half of 2015 (Euro 4,500 thousand).

Euro 322 thousand (unchanged from 31 December 2014) relates to the equity investment in SMAG. The investment was reclassified among assets held for sale since the disposal of the shareholding in the company will be presumably completed during 2015.

Euro 158 thousand (unchanged from 31 December 2014) refers to the associate Piana Ambiente.

For Euro 23 thousand (unchanged from 31 December 2014) they refer to the equity interest in Valfontanabuona Sport S.r.l., which the Iren Group plans to dispose of by the end of 2015.

In addition, assets held for sale include the investment in Fata Morgana which at 30 June 2015 was completely written down.

Al 31 December 2014 Euro 819 thousand referred to the equity investment in VEA Energia Ambiente Srl was also present. This investment was sold in the first half of 2015.

LIABILITIES

NOTE 18_SHAREHOLDERS' EQUITY

Equity may be analysed as follows:

thousands of euro

	30/06/2015	31/12/2014
Share capital	1,276,226	1,276,226
Reserves and retained Profits (Losses)	430,145	401,198
Net profit (loss) for the period	102,559	85,795
Total equity attributable to owners of the Parent	**1,808,930**	**1,763,219**
Share capital and reserves attributable to non-controlling interests	215,644	213,736
Profit (loss) of non-controlling interests	12,313	16,594
Total consolidated equity	**2,036,887**	**1,993,549**

Share capital

The share capital amounts to Euro 1,276,225,677 (unchanged compared to 31 December 2014), fully paid up, and consists of 1,181,725,677 ordinary shares with a face value of Euro 1 each and 94,500,000 savings shares without voting rights with a face value of Euro 1 each.

The 94,500,000 Iren savings shares, held by Finanziaria Città di Torino, are not listed, have no voting rights and, except for a different priority order in the allocation of net residual assets in the event of winding-up of the company, they are subject to the same rules as ordinary shares.

Lastly, in the case of sale, the savings shares will be automatically converted, at par, into ordinary shares.

Reserves and retained Profits (Losses)

The breakdown of this item is provided in the following table:

thousands of euro

	30/06/2015	31/12/2014
Share premium reserve	105,102	105,102
Legal reserve	39,360	36,855
Hedging reserve	(30,157)	(39,695)
Other reserves and retained earnings (losses)	315,840	298,936
Total	**430,145**	**401,198**

Hedging reserve

With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a counterparty directly in equity under the hedging reserve. These contracts were entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electrical energy and gas purchase contracts.

Other reserves and retained earnings (losses)

These mainly comprise the surplus generated from the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, retained profits and losses and the reserve including actuarial gains and losses resulting from the measurement of post-employment benefits to employees.

In the first half of 2015 they increased owing mainly to the retained profits of financial year 2014 and to the effective portion of changes in the fair value of hedging derivatives. For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 19_NON-CURRENT FINANCIAL LIABILITIES

These amount to Euro 2,365,276 thousand (Euro 2,210,821 thousand at 31 December 2014) and consist of:

Bonds

These amount to Euro 811,458 thousand (Euro 815,095 thousand at 31 December 2014), of which:

- Euro 156,245 thousand (Euro 156,621 thousand at 31 December 2014) relate to two non-convertible puttable bonds issued in 2008 with maturity in 2021. The bond, with a total term of 13 years, requires that after the third year and subsequently every two years, if the banks fail to exercise the option for redemption at par value, a competitive auction mechanism is activated to determine the credit spread for the following 2 years, to be applied at a pre-set fixed rate. The second auction was conducted in September 2013 with definition of the credit spread for the next 2 years. On the basis of the trend in interest rates, the probability of exercising the option of redemption at par at the theoretical maturity of September 2015 is considered zero. The amount refers to the amortised cost, in accordance with the IASs/IFRSs;
- Euro 655,213 thousand (Euro 658,474 thousand at 31 December 2014) referred to Private Placement and Public Bond issues. Private Placements: a) for a total of Euro 260 million, duration 7 years, annual coupon 4.37%, with main issue in October 2013 (intermediated by Mediobanca for Euro 125 million) and two subsequent re-openings in November 2013 (intermediated by BNP for Euro 85 million) and March 2014 (intermediated by BNP for Euro 50 million); b) for Euro 100 million, duration 5 years, annual coupon 3%, with issue in February 2014 (intermediated by Morgan Stanley). Public Bonds: placing in July 2014 on the Eurobond market of an inaugural bond issue in Public Placement format for Euro 300 million, annual coupon 3% and duration 7 years (Joint Bookrunners Banca IMI, BNP Paribas, Mediobanca, Morgan Stanley, Unicredit). The bond loans were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange. The carrying amount refers to the amortised cost, pursuant to the IASs.

Non-current bank loans

These exclusively relate to the non-current portion of bank loans and amount to Euro 1,518,640 thousand (Euro 1,352,935 thousand at 31 December 2014).

Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and expiry date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max interest rate	3.997% - 5.449%	0.14% - 2.85%	
maturity	2016-2027	2016-2028	
2016	123,166	59,563	182,730
2017	60,988	46,608	107,596
2018	60,500	554,733	615,233
2019	59,954	70,453	130,407
subsequent	399,509	83,164	482,674
Total payables at 30/06/2015	**704,118**	**814,521**	**1,518,640**
Total payables at 31/12/2014	**749,077**	**603,858**	**1,352,935**

All loans are denominated in Euro.

The changes in non-current loans during the year are summarised below:

thousands of euro

	31/12/2014 Total payables	Increases	Repayments	Amortised cost adjustments	30/06/2015 Total payables
- at fixed rate	**749,077**	0	(45,048)	89	**704,118**
- at floating-rate	**603,858**	250,000	(39,006)	(330)	**814,521**
TOTAL	**1,352,935**	**250,000**	**(84,054)**	**(241)**	**1,518,640**

Total non-current loans at 30 June 2015 increased compared to 31 December 2014 due to the following changes:

- increases for a total of Euro 250 million, after disbursement to the Parent of new medium/long-term loans: in January Unicredit 50 million e Cassa Depositi e Prestiti 100 million, in June Mediobanca 50 million and Intesa Sanpaolo 50 million;
- a decrease totalling Euro 84,054 thousand for the reclassification to current loans of the portion of loans due within the next 12 months;
- changes in amortised cost for the purpose of IAS accounting of loans.

Other financial liabilities

These amount to Euro 35,177 thousand (Euro 42,792 thousand at 31 December 2014) of which Euro 33,469 thousand (Euro 39,884 thousand at 31 December 2014) refers to the fair value of derivative contracts entered into to hedge exposure to the risk of interest rate fluctuations on floating rate loans (described in the section "Group financial risk management") and Euro 1,709 thousand (Euro 2,907 thousand at 31 December 2014) to sundry financial payables.

NOTE 20_EMPLOYEE BENEFITS

In the first half of 2015 changes in this item were as follows:

	thousands of euro
Amount at 31/12/2014	**148,971**
Current service costs	941
Financial expenses	886
Disbursements for the year	(4,399)
Other changes	121
Amount at 30/06/2015	**146,520**

Liabilities for employee benefits consist of:

Post-employment benefits

In the first half of 2015 post-employment benefits underwent the following changes:

	thousands of euro
Amount at 31/12/2014	**110,158**
Current service costs	525
Financial expenses	601
Disbursements for the year	(3,628)
Other changes	121
Amount at 30/06/2015	**107,777**

Other benefits

The composition and changes over the year of defined benefit plans, other than the post-employment benefits described above, are shown hereunder.

Additional months' salaries (long-service bonus)

	thousands of euro
Amount at 31/12/2014	**4,675**
Current service costs	67
Financial expenses	16
Disbursements for the year	(59)
Reclassifications	(1,325)
Amount at 30/06/2015	**3,374**

Loyalty bonus

	thousands of euro
Amount at 31/12/2014	**2,201**
Current service costs	82
Financial expenses	16
Disbursements for the year	(149)
Reclassifications	1,325
Actuarial profits (losses)	-
Amount at 30/06/2015	**3,475**

Tariff discounts

	thousands of euro
Amount at 31/12/2014	**31,058**
Current service costs	267
Financial expenses	249
Disbursements for the year	(487)
Amount at 30/06/2015	**31,087**

Premungas fund

	thousands of euro
Amount at 31/12/2014	**879**
Financial expenses	4
Disbursements for the year	(76)
Amount at 30/06/2015	**807**

Actuarial assumptions

The assessment of the liabilities presented above is made by independent actuaries on the occasion of preparing the year-end consolidated financial statements.

The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in both the total number of employees and employee remuneration. Future service represents the amount that would be liquidated to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

Actuarial projections of the probable discounts on electrical energy consumption due to current retirees or surviving spouses, as well as to current employees (and surviving spouses, if any) once terminated the working relationship, were taken into account in determining the amount of the electrical energy discount.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:
- stock market of reference;
- the date the measurement is made;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits and all Group companies.

The other financial assumptions adopted in the calculations are the following:

Annual discount rate	0.72% - 1.49%
Annual inflation rate	0.60% - 2.00%
Annual rate of electrical energy price increase	0.60% - 2.00%
Annual increase rate of post-employment benefits	2.40% - 3.00%

NOTE 21_PROVISIONS FOR RISKS AND CHARGES

These are detailed in the following table, and refer both to the current and non-current portions:

thousands of euro

	Opening balance	Increases	Decreases	(Income)/Expense from discounting	Closing balance	Current portion
Restoration provisions of third party assets	122,293	6,238	(798)	117	127,850	3,363
Provisions for landfill post-mortem	27,621	87	(1,352)	604	26,960	666
Provisions for dismantling and reclaiming sites	25,061	-	(104)	580	25,537	3,208
Provisions for CIG/CIGS	15,351	734	(3,134)	-	12,951	
Provisions for former employees	1,258	-	-	-	1,258	
Provisions for early retirement expenses	36,095	-	(1,035)	55	35,115	15,854
Provisions for risks on investments	10,695	-	-	-	10,695	10,650
Other provisions for risks and charges	163,018	20,318	(30,308)	235	153,263	61,276
Total	**401,392**	**27,377**	**(36,731)**	**1,591**	**393,629**	**95,017**

Restoration provisions of third party assets

These provisions refer mainly to liabilities which, if the water service concessions for the Parma, Piacenza and Reggio Emilia ATOs are re-awarded, will be deducted from the indemnity paid to the Group by the incoming operator with respect to investments made in the meantime. These liabilities are estimated according to the amortisation/depreciation of the pool of assets and equipment relating to the aforementioned integrated water service which, as a result of the spin-offs completed in 2005 by the three companies AGAC, Tesea and AMPS (later merged into Enìa), were transferred to the financial statements of three full publicly-held companies as envisaged in Art. 113, paragraph 13 of the Consolidated Law on Local Entities. This pool of assets is used to perform the water service against the payment of a rental fee and with a contractual commitment to set aside the aforementioned provisions. The rest of the provisions represent an estimate of the expense necessary for the return of assets in concession of the hydroelectric sector in perfect working conditions.

Provisions for landfill post-mortem

These are mainly provisions for future restoration expense, also including costs for post-operating management until complete conversion of the areas involved to green areas. These costs are supported by specific expert reports. Accruals and decreases for the period were performed to adjust existing provisions to the estimated future costs to be borne and accrued at 30 June 2015. Decreases also refer to the utilisation of the provision to cover costs incurred over the period with regard to the disposal of leachate (related to closed lots of operating landfills, both owned and under concession), as well as to the aggregate expense borne in the post-operating phase until the mineralization of waste and the conversion of landfills into green areas are completed.

Provisions for dismantling and reclaiming sites

The "Provisions for dismantling and reclaiming sites" partly refers to the prudential estimate of charges to be incurred in relation to the future restoration of former AMNU land on which an incinerator was located. The remainder refers to the estimated potential charges associated with future dismantling of certain Group plants.

Provisions for CIG/CIGS

The provisions for risks mainly refers to the probable risk of greater charges relating to higher contributions to be paid to INPS for ordinary and extraordinary redundancy and mobility.
In September 2013 a number of pronouncements were made against Iren and subsidiaries, considered to be negative and rejecting the company’s claims, ordering the payment of CIG, CIGS, Mobility and Unemployment contributions. The Directors consequently decided to arrange regular payment of the redundancy payment CIG (and CIGS and mobility) contributions from 2014. These provisions continue to

include the prudential estimate of potential additional amounts and collection charges for a total of Euro 12,951 thousand. For further details, see the disclosures in the 2014 financial statements.

Provisions for former employees

The provisions for former employees under Laws No. 610/52 and 336/73 is to cover the expenses arising from the application of these two laws (sliding scale pensions and benefits for ex-servicemen and similar).

Provisions for early retirement expenses

The provisions refer to expenses associated with early retirement of some employees and arises from the results of an agreement between the Iren Group and the Trade Unions that provides for incentives for accompaniment to early retirement of some employees, through acceptances on a voluntary basis among the Group's workers potentially interested. The operation must be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young people.

The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Italian Law 92/2012), will enable the oldest personnel to retire up to 24 months before the date of eligibility, making up in part for the delay in terminating the employment determined after the reform of the pensions system.

The provisions represent the payment to the employees involved in the Plan, through the INPS, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules (isopension) with payment to the INPS of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

Provisions for risks on equity investments

This item mainly refers to risks relating to the protection against future losses of the investee Sinergie Italiane.

Other provisions for risks and charges

The provision mainly refers to the probable risk of greater charges for the construction of plants which are completed or yet to be finished, the provisions for estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in Art. 1-*quinquies* of Decree Law No. 44 of 31 March 2005 and probable charges for various disputes.

The increases in the year primarily refer to the estimate of charges related to the return of emission quotas (Euro 8,611 thousand), the estimate of IMU/ICI tax to be paid on the value of the plants of power stations calculated as provided for in Article 1-quinquies of Italian Law Decree No. 44 of 31 March 2005 (Euro 2,612 thousand) and to other expenses of the energy system.

The decreases in the year mainly refer to the utilisation and releases for charges related to the return of emission quotas (Euro 11,746 thousand), for the estimate of IMU/ICI tax to be paid on the value of the plants of power stations (prescribed annual amounts and expenses for settlement agreements) (Euro 4,075 thousand) and to the cessation of risks singularly of a lower amount.

The current portion referring to the provisions described above was presented under “provisions, current portion” (Note 28).

NOTE 22_DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 160,661 thousand (Euro 162,343 thousand at 31 December 2014) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements.

Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.

NOTE 23_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

thousands of euro

	30/06/2015	31/12/2014
Payables after one year	35,648	42,092
Deferred income for grants related to plants – non current	156,759	154,889
Non-current accrued expenses and deferred income	885	3,644
Total	**193,292**	**200,625**

The item "Payables after 12 months" refers to advances paid by users to guarantee water supply, to amounts related to previous years to be paid for the redundancy fund (CIG), for the extraordinary redundancy fund (CIGS) and for mobility and to the amount of the substitutive tax calculated on the capital gain deriving from the contribution of part of the property assets to the Core Multiutilities Fund to be paid at more than 12 months from the reporting date.

CURRENT LIABILITIES

NOTE 24_CURRENT FINANCIAL LIABILITIES

All financial liabilities recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.
Current financial liabilities can be analysed as follows:

thousands of euro

	30/06/2015	31/12/2014
Bank loans	402,830	605,122
Financial payables to joint ventures	862	5,378
Financial payables to associates	186	87
Financial payables to related-party shareholders		446
Financial payables to others	24,929	51,377
Derivative payables - current	901	1,794
Total	**429,708**	**664,204**

Bank loans
Current bank loans may be broken down as follows:

thousands of euro

	30/06/2015	31/12/2014
Loans - current portion	184,485	212,244
Other current payables to banks	198,262	381,128
Accrued financial expenses and deferred financial income	20,083	11,750
Total	**402,830**	**605,122**

Financial payables to joint ventures
This item relates to amounts due to the Iren Rinnovabili Group.

Financial payables to associates
This item relates to amounts due to the company Valle Dora Energia.

Financial payables to related-party shareholders
These were not present at 30 June 2015. At 31 December 2014 these referred to payables to the Municipalities of Genoa (Euro 439 thousand) and Piacenza (Euro 7 thousand).

Financial payables to others
These regard mainly payables to factoring companies for advances on invoices issued and for the portions collected from customers and to be paid to the factor (Euro 20,131 thousand, they were 47,979 thousand at 31 December 2014) and payables for dividends to be paid (Euro 3,203 thousand).

Derivative payables - current
These relate to the negative fair value of derivative contracts on commodities entered into by Iren Mercato.

NOTE 25_TRADE PAYABLES

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of euro

	30/06/2015	**31/12/2014**
Trade payables	639,724	788,426
Trade payables to joint ventures	2,582	3,043
Trade payables to associates	21,904	21,528
Trade payables to related-party shareholders	18,157	18,717
Trade payables to minor Group companies	3,377	21,794
Advances due within one year	6,934	6,486
Guarantee deposits due within one year	20,269	13,328
Charges to be reimbursed within one year	1,392	1,401
Total	**714,339**	**874,723**

The significant decrease in trade payables compared to 31 December 2014 was due to the trend in thermal seasonality.

NOTE 26_OTHER PAYABLES AND OTHER CURRENT LIABILITIES

All payables recognised in this item are due within twelve months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of euro

	30/06/2015	31/12/2014
VAT payable	16,988	30,013
Revenue tax/UTIF payable	116	-
IRPEF payable	14,831	12,097
Other tax liabilities	9,913	8,523
Tax liabilities due within one year	**41,848**	**50,633**
Payables to employees	32,595	31,812
Payables to C.C.S.E.	65,516	52,072
Other current liabilities	48,708	73,308
Payables to social security institutions within 12 months	24,222	24,479
Other payables due within one year	**171,041**	**181,671**
Accrued expenses and deferred income	13,981	16,279
Total	**226,870**	**248,583**

The increase in payables to Cassa Conguaglio del Settore Energetico [the Electricity Industry Adjustment Fund] in the period is related to the estimates of passive equalisation of electricity and gas.

The other current liabilities include, among other things, the cost estimates for environmental expenses (passive green certificates), for the obligations related to energy efficiency certificates and payables for purification fees. The decrease compared to the previous year was mainly due to payment of previous water shunting fees for productive use.

NOTE 27_CURRENT TAX LIABILITIES

Current tax liabilities amounting to Euro 63,294 thousand (Euro 1,869 thousand at 31 December 2014) consist of IRES and IRAP payables. In addition, the item includes the estimate of taxes for the current half-year period.

NOTE 28_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to Euro 95,018 thousand (Euro 81,730 thousand at 31 December 2014) and refers to the short-term portion of the provisions, divided as follows:

- provisions for risks of Euro 53,081 thousand;
- provisions for charges related to the obligation to return emission quotas of Euro 8,196 thousand;
- provisions for equity investment risks of Euro 10,651 thousand, mainly related to the associate Sinergie Italiane,
- provisions for charges related to voluntary retirement of personnel of Euro 15,854 thousand;
- provisions for restoring of Euro 3,363 thousand;
- provisions for dismantling and reclaiming sites and post mortem provisions of Euro 3,873 thousand, which are expected to be used within the next 12 months.

For further details on the breakdown of and changes in provisions for risks and charges see Note 21.

NOTE 29_LIABILITIES RELATED TO ASSETS HELD FOR SALE

At 30 June 2015 this item is zero.

FINANCIAL POSITION

The net financial indebtedness, calculated as the difference between short/medium/long-term financial liabilities and short/medium/long-term financial assets, can be broken down as indicated in the following table:

thousands of euro

	30/06/2015	31/12/2014
Non-current financial assets	(64,350)	(66,439)
Non-current financial indebtedness	2,365,276	2,210,821
Non-current financial indebtedness	**2,300,926**	**2,144,382**
Current financial assets	(575,604)	(522,902)
Current financial indebtedness	429,707	664,204
Current net financial indebtedness	**(145,897)**	**141,302**
Net financial indebtedness	**2,155,029**	**2,285,684**

Net Financial Position regarding related parties

Non-current financial assets relate for Euro 30,258 thousand to the long-term portion of the current account used to settle trade and financial relations between the subsidiary Iren Servizi e Innovazione and the Municipality of Turin, for Euro 814 thousand to receivables from the Municipality of Genoa, for Euro 705 thousand to receivables from associates, and for Euro 30,839 thousand to receivables from joint ventures of the Iren Rinnovabili Group.

Non-current financial indebtedness refers for Euro 122,644 thousand to medium/long-term loans granted by the Intesa San Paolo Group.

Current financial assets relate for Euro 93,012 thousand to the short-term balance of the current account between the subsidiaries Iren Servizi e Innovazione and AMIAT and the Municipality of Turin, for Euro 439,000 thousand to receivables from the joint venture OLT Offshore, for Euro 2,461 thousand to receivables from the joint venture Acque Potabli (formerly Sviluppo Idrico), for Euro 2,177 thousand receivables from the joint venture Iren Rinnovabili and its subsidiaries, for Euro 4,082 thousand to receivables from the associate ASA, for Euro 834 thousand to receivables from the associates whose single amounts are negligible, for Euro 2,850 thousand to the positive balance of bank current accounts with the Intesa San Paolo Group. The remainder, Euro 2,066 thousand, refers to receivables from associates for dividends to be collected.

For further details please see the schedule of transactions with related parties shown in the annex.

Current financial liabilities are related for Euro 46,224 thousand to short-term loans granted by the Intesa San Paolo Group and to the fair value of derivatives entered into with the same Group. The remaining Euro 1,047 thousand refers to payables due to the Iren Rinnovabili Group (Euro 862 thousand) and to the associate Valle Dora Energia (Euro 186 thousand).

Below is the net financial position in the format proposed by the CESR recommendation of 28 July 2006, which does not include non-current financial assets.

thousands of euro

	30/06/2015	31/12/2014
A. Cash in hand	(29,457)	(51,601)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**(29,457)**	**(51,601)**
E. Current financial receivables	**(546,147)**	**(471,301)**
F. Current bank debt	218,345	392,878
G. Current portion of non-current debt	184,485	212,244
H. Other current financial debt	26,877	59,082
I. Current financial indebtedness (F)+(G)+(H)	**429,707**	**664,204**
J. Net current financial indebtedness (I) – (E) – (D)	**(145,897)**	**141,302**
K. Non-current bank debt	1,518,640	1,352,935
L. Bonds issued	811,458	815,095
M. Other non-current debt	35,178	42,791
N. Non-current financial indebtedness (K) + (L) + (M)	**2,365,276**	**2,210,821**
O. Net financial indebtedness (J) + (N)	**2,219,379**	**2,352,123**

VII. NOTES TO THE INCOME STATEMENT

Unless otherwise stated, the following tables are in thousands of Euro.

From 1 January 2015 the Group's consolidated income statement includes the economic amounts of the subsidiary AMIAT; the economic results of the first half of 2015 are therefore affected by the inclusion of this entity in the consolidation scope.

REVENUE

NOTE 30_REVENUE FROM GOODS AND SERVICES

This item amounts to Euro 1,442,412 thousand (Euro 1,363,912 thousand in the first half of 2014). For further details on the trend in revenues for business segments see the tables in paragraph X "Segment reporting".
We can note that connection contributions for gas, electricity, district heating and for the water system, included in the present item in the 2014 Interim Financial Report, are now presented under "Other income". The figure for the corresponding comparative period was therefore reclassified in this item; in the first half of 2014 these contributions amounted to Euro 4,438 thousand.

NOTE 31_CHANGE IN CONTRACT WORK IN PROGRESS

This item amounted to Euro -74 thousand (Euro 136 thousand increase in the first half of 2014) and mainly refers to work in progress performed for road resurfacing, after damage caused by works.

NOTE 32_OTHER INCOME

Other income regard contributions, revenue for energy certificates and other income. The tables below show the details of the single items.

Contributions

thousands of euro

	1st half 2015	1st half 2014
Grants related to plant	4,360	3,636
Connection contributions	5,723	4,438
Other grants	581	698
Total	**10,664**	**8,772**

The grants related to plant represent the pertaining portion of grants calculated in proportion to the depreciation rates of the assets to which they refer.
As already noted in Note 30, with respect to the 2014 Interim Financial Report, a reclassification was made on the comparative period as regards connection contributions for gas, electricity, district heating and for the water system, now included in the present item. The new classification of these items derives from the presentation need related to the nature of one-off contribution to the act of the single contribution.

Revenue from energy efficiency certificates

thousands of euro

	1st half 2015	1st half 2014
Revenue from Emission Trading	1,327	3,934
Revenue from Green Certificates	36,285	40,746
Revenue from White Certificates	19,348	12,944
Total	**56,960**	**57,624**

Other income

thousands of euro

	1st half 2015	1st half 2014
Revenue from service contracts	6,135	3,007
Revenue from rental income and leases	902	261
Capital gains on goods disposal	592	21,562
Prior year revenue/Contingent assets	48,938	55,327
Insurance reimbursement	171	94
Sundry repayments	4,130	3,434
Income from fair value of commodity derivatives	287	5
Other revenue and income	8,255	6,508
Total	**69,410**	**90,198**

Other income in the first half of 2015 decreased by approximately Euro 21 million compared with the first half of 2014 and this reduction was mainly due to the lack of the capital gain made in the first half of 2014 with the sale of almost all the units held in the Core MultiUtilities Fund.
The item “Revenue from previous years” mainly refers to adjustments of trade payables estimates and equalisation of previous years.

COSTS

NOTE 33_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

thousands of euro

	1st half 2015	1st half 2014
Purchase of electrical energy	113,983	149,688
Purchase of gas	366,460	355,482
Purchase of heat	61	27
Purchase of other fuels	802	1,259
Purchase of water	604	361
Other raw materials	2,701	8,469
Sundry inventory mat. (including fuels and lubricants)	30,165	17,094
Emission Trading	14,997	9,351
Green certificates	-	1,631
White certificates	11,630	10,427
Change in inventories	(6,003)	19,687
Total	**535,400**	**573,476**

The positive change in inventories in the period was essentially due to the stock of environmental securities in the portfolio held for trading purposes.

NOTE 34_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of euro

	1st half 2015	1st half 2014
Transport of electrical energy	154,666	147,297
Electrical system costs	31,120	44,659
Gas carriage	24,582	30,245
Heat carriage	-	47,696
Third party works for networks and plants	54,416	62,787
Collection and disposal, snow clearing, public parks	78,176	44,839
Maintenance expense	11,071	4,008
Expenses related to personnel (canteen, training, travel)	2,861	2,752
Professional services (studies, design, analysis)	12,608	4,867
Technical and administrative consulting	3,945	5,210
Trade and advertising expenses	8,325	2,099
Legal and notary fees	2,699	2,598
Insurance	12,455	5,238
Banking costs	4,119	4,374
Telephone costs	2,570	1,945
Costs related to service contracts	265	137
Reading and invoicing services	5,433	5,294
Fees of the Board of Statutory Auditors	573	648
Other costs for services	21,188	17,312
Total costs for services	**431,072**	**434,005**

The change in costs for electricity transport and gas transmission and in expenses of the electricity system was due to the trend in volumes sold and tariff trends.

The increase in costs for collection, disposal, snow clearing and public parks related substantially to consolidation of the income statement of AMIAT S.p.A., the provider of these services in the area of the Municipality of Turin, starting from 1 January 2015.

Fees for heat transmission related to the transport of heat by the company AES Torino S.p.A. up to 30 June 2014. As a result of the demerger, which occurred on 1 July 2014, of the company AES Torino S.p.A., IREN Energia acquired direct ownership of the business unit related to the activity of distributing district heating, internalising the operating costs of this network.

Subcontracts and works mainly relate to operating and maintenance costs of the plant systems and networks.

Costs for the use of third-party assets (leases and rentals) amounted to Euro 23,345 thousand (Euro 22,955 thousand in the first half of 2014). These include instalments paid to the market operator of the Genoa district, instalments paid to the companies which own the assets of the integrated water service in the municipalities of Parma, Piacenza and Reggio Emilia, cross easement, operating lease rentals (including rents paid for the use of the buildings transferred to the Core Multiutilities fund during 2012), hiring and sundry rentals.

NOTE 35_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	1st half 2015	1st half 2014
General expenses	4,559	3,230
Instalments and higher instalments for water shunting	7,638	6,448
Taxes and duties	10,349	11,871
Contingent liabilities	13,580	12,012
Capital losses on goods disposal	53	83
Other sundry operating expense	2,819	3,802
Total	**38,998**	**37,446**

Taxes and duties relate mainly to expenses for IMU (Council Tax) on the Group's plants and buildings and expenses for occupying and reclaiming public land.

NOTE 36_CAPITALISED EXPENSES FOR INTERNAL WORK

This item relates to increases in assets recorded in the statement of financial position developed using internal resources.

thousands of euro

	1st half 2015	1st half 2014
Capitalised labour costs	8,071	6,218
Capitalised inventory materials	2,512	2,585
Total	**10,583**	**8,803**

NOTE 37_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	1st half 2015	1st half 2014
Gross remuneration	127,257	95,121
Social security contributions	43,677	33,229
Post employment benefits	385	385
Other long-term employee benefits	440	223
Other personnel expense	10,501	7,401
Directors' fees	781	852
Total	**183,041**	**137,211**

As described in Note 36, Euro 8,071 thousand of costs related to employees were capitalised.

Other personnel expenses include the social security and recreational contribution to ADAEM, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post employment benefits and contributions to be paid by the employer to supplementary pension funds.

The increase in personnel expenses was essentially due to consolidation form an economic point of view of AMIAT S.p.A. starting from 1 January 2015.

The personnel composition is shown in the following table.

	30/06/2015	31/12/2014	Average for the period
Senior managers	84	70	84
Junior managers	247	230	248
White collar	2,926	2,657	2,933
Blue collar	2,982	1,567	2,997
Total	**6,239**	**4,524**	**6,262**

NOTE 38_DEPRECIATION/AMORTISATION

thousands of euro

	1st half 2015	1st half 2014
Property, plant and equipment and investment property	93,571	72,689
Intangible assets	37,367	36,223
Total	**130,938**	**108,912**

For further details on depreciation/amortisation, reference should be made to the tables of changes in property, plant and equipment and intangible assets.

NOTE 39_PROVISIONS AND IMPAIRMENT LOSSES

thousands of euro

	1st half 2015	1st half 2014
Provisions for impairment of receivables	22,829	23,879
Provisions for risks and restorating of third party assets	13,125	19,965
Provision releases	(5,660)	(21,289)
Impairment losses	220	686
Total	**30,514**	**23,241**

The analysis of the provisions and related variations are given in the comment to the statement of financial position item "Provisions for risks and charges". The significant provision releases in financial year 2014 referred mainly to the cessation of risks on the construction of plants and expenses related to fees and surcharges for water shunting.

NOTE 40_FINANCIAL INCOME AND EXPENSE

Financial income
The breakdown of financial income is provided in the following table:

thousands of euro

	1st half 2015	1st half 2014
Dividends	1,230	1,030
Bank interest income	37	191
Interest income from receivables/loans	10,282	10,648
Interest income from customers	2,095	2,522
Fair value gains on derivatives	459	162
Income on realised derivatives	-	14
Gains on financial assets disposal	1,920	-
Exchange rate gains	1	-
Other financial income	67	126
Total	**16,091**	**14,693**

Interest income from receivables/loans includes interest accrued on current accounts between the Group and the Municipality of Turin for Euro 1,203 thousand. The remaining amount mainly refers to interest income from the joint venture OLT Offshore (Euro 8,338 thousand).

The capital gain on disposal of financial assets refers to the sale of the company VEA Energia e Ambiente, classified among Assets held for sale.

Financial expenses
The breakdown of financial expense is provided in the following table:

thousands of euro

	1st half 2015	1st half 2014
Interest expense on loans	24,086	32,683
Interest expense on bonds	17,553	11,777
Interest expense on bank current accounts	596	487
Other interest expense	3,228	2,548
Capitalised financial charges	(21)	(2,002)
Derivative fair value charges		92
Charges on realised derivatives	5,853	7,664
Interest cost – Employee benefits	886	1,559
Exchange rate losses	1	1
Other financial expense	2,565	7,690
Total	**54,747**	**62,499**

The increase in expenses on bond loans reflects among other things the interest, for the whole of the half-year period, of the Private Placement issued in February 2014 and of the Public Bond placed in July 2014. This item includes amounts relating to the measurement at amortised cost.
Reference should be made to the note to the statement of financial position line item "Employee benefits" for details of financial expense on employee benefits.
Other financial expense mainly includes financial expense for the discounting of provisions.

NOTE 41_SHARE OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The result was a profit of Euro 4,793 thousand (profit of Euro 7,480 thousand in the first half of 2014) and includes reversals of impairment losses for Euro 9,476 thousand and impairment losses totalling Euro 4,683 thousand. For more details see Note 5.

NOTE 42_IMPAIRMENT LOSSES ON INVESTMENTS

In the first half of 2015 no impairment losses were made on equity investments. In the first half of 2014 these amounted to Euro 20 thousand and referred to writedowns of the equity investment in Acque Potabili Siciliane.

NOTE 43_INCOME TAX EXPENSE

Income taxes for the first half of 2015 are estimated at Euro 67,918 thousand (Euro 69,866 thousand in the first half of 2014) and are the result of the best estimate of the average tax rate expected for the entire year.

NOTE 44_NET PROFIT FROM DISCONTINUED OPERATIONS

This is not present in the first half of 2015 and in the comparative period.

NOTE 45_PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit of non-controlling interests, of Euro 12,313 thousand (Euro 9,830 thousand in the first half of 2014), refers to the share attributable to minority shareholders in companies fully consolidated but not wholly owned by the Group.

NOTE 46_EARNINGS PER SHARE

In order to calculate the basic and diluted earnings per share, the number of ordinary shares of the first half of 2015 is the weighted average, unchanged compared to the previous year, of shares outstanding over the reference period based on the provisions of paragraph 20, IAS 33.

	1st half 2015	**1st half 2014**
Net profit (loss) for the period (thousands of euro)	102,559	72,157
Weighted average number of shares outstanding over the year (thousand)	1,276,226	1,276,226
Basic earnings/(loss) per share (euro)	**0.08**	**0.06**

Diluted earnings per share are calculated by dividing profit by the adjusted number of shares. The adjusted number of shares is calculated by assuming the conversion of all financial instruments that could potentially dilute the ordinary shares.

	1st half 2015	**1st half 2014**
Net profit (loss) for the period (thousands of euro)	102,559	72,157
Weighted average number of shares (thousands)	1,276,226	1,276,226
Weighted average number of shares to calculate the diluted earnings per share (thousands)	1,276,226	1,276,226
Diluted earnings/(loss) per share (euro)	**0.08**	**0.06**

NOTE 47_OTHER COMPREHENSIVE INCOME

The effective portion of changes in the fair value of cash flow hedges, positive for Euro 6,740 thousand, refers to interest rate hedges and commodity price hedges (electrical energy and gas).
The portion of other profits/(losses) of companies accounted for using the equity method, positive for Euro 4,680 thousand, refers to changes in the fair value of the cash flow and commodity hedging of associates.
The tax effect of other comprehensive income is a loss of Euro 1,880 thousand.

VIII. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

a) Sureties for own commitments of Euro 370,048 thousand (Euro 453,712 thousand at 31 December 2014); the most significant items refer to sureties issued in favour of:
   - Reggio Emilia Provincial Government for Euro 60,806 thousand for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
   - ENEL Distribuzione for Euro 45,007 thousand to guarantee the electrical energy transport service contract;
   - ATO-R, for Euro 41,000 thousand, as definitive guarantees in the Amiat/TRM tender procedure;
   - Terna, for Euro 27,859 thousand to guarantee injection and withdrawal dispatching contracts and to guarantee the electrical energy transport service contract;
   - the Municipality of Turin for Euro 27,476 thousand as definitive guarantees in the Amiat/TRM tender procedure;
   - the Electricity Market Operator (GME) for Euro 25,300 thousand to guarantee the market participation contract;
   - SNAM Rete Gas for Euro 25,054 thousand, of which Euro 2,754 thousand in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
   - the Customs Authority, for Euro 17,520 thousand to guarantee the regular payment of revenue tax and additional local and provincial duties on electrical energy consumption and gas excise;
   - IREN EMILIA SPA for Euro 14.253 thousand to guarantee the natural gas distribution contract as provided for in the Grid Code;
   - Parma Provincial Government, for Euro 13,919 thousand for waste collection and operating and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - G.S.E. S.p.A., for Euro 11,036 thousand, for the proceeding for the auction to obtain incentives on the IEH plant in Parma;
   - the Ministry of the Environment, for Euro 8,292 thousand;
   - Genova Reti Gas for Euro 8,202 thousand to guarantee the natural gas distribution contract as provided for in the Grid Code;
   - INPS for Euro 4,520 thousand for the redundancy incentive procedure for employees of group companies;
   - the Piacenza Provincial Government, for Euro 3,680 thousand for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
   - TRM SpA, for Euro 3,000 thousand, as definitive guarantee in the AMIAT/TRM tender procedure;
   - ATERSIR for Euro 3,060 for agreements with the Emilian areas S.I.I. and S.G.R.U.;
   - the Municipality of Parma for Euro 2.751 thousand to guarantee the Cornocchio plant and for maintenance contracts;
   - AES Torino for Euro 2,264 thousand to guarantee the natural gas distribution contract;
   - the Municipality of Moncalieri for Euro 1,486 thousand, to guarantee the construction of urbanisation works;
   - REAM Sgr SpA, for Euro 2,344 thousand, to guarantee future lease payments of properties transferred to the real estate fund called Fondo Core MultiUtilities;
   - FCT Holding, for Euro 2,000 thousand, as definitive guarantee in the AMIAT/TRM tender procedure;
   - the Municipality of Genoa, for Euro 856 thousand, to guarantee works on the gas network.

b) Guarantees given on behalf of subsidiaries and associates, amounting to Euro 225,796 thousand, primarily to guarantee credit facilities;

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane (namely guarantees for credit facilities and letters of patronage for Euro 34,333

thousand at 30 June 2015 unchanged compared to 31 December 2014). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity therefore includes only the purchase of gas from the Russian Gazprom supplier and the sale of gas to shareholders or their subsidiaries, including Iren Mercato. Therefore the company's financial exposure is progressively lowering with the consequent decrease in shareholders' guarantee obligations.
We can also note the sureties issued in favour of Banca Intesa for Euro 3,068 thousand to guarantee the mortgage of the associate company Mestni Plinovodi.

COMMITMENTS

With regard to the subsidiary Mediterranea delle Acque, a commitment within the framework Agreement with the shareholder F2i rete idrica S.p.A. is in place. Article 15 of this agreement envisages that Iren Acqua Gas is bound to pay damages in the event of liabilities, losses or damage suffered by F2i or Mediterranea delle Acque or its investees, resulting from incorrect or unfair statements included in the agreement, with specific reference to outstanding tax disputes among which the dispute with the Tax Authorities for the recognition of depreciation/amortisation deducted by Mediterranea delle Acque regarding the water operating segment transferred in December 1999 from Amga S.p.A. to the newly incorporated Genova Acque S.p.A. (later renamed Mediterranea delle Acque following the merger with Genoa private aqueducts).

We can also note Iren S.p.A.'s commitment to Cariparma to retain control over Iren Ambiente Holding and by Iren Ambiente Holding to retain direct or indirect ownership of a share package amounting to at least 70% of the share capital of Varsi Fotovoltaico, which has an existing loan agreement with Cariparma.

CONTINGENT LIABILITIES

Mediterranea delle Acque: Dispute with the Tax Authorities
With reference to the legal dispute with the Tax Authorities, relating to the assessment notices for the years 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 under the terms of Art. 37-*bis* paragraph 4 of Italian Presidential Decree 600/73 contribution of Business Unit, described in detail in the financial statements at 31 December 2014, the events and updates that occurred during 2015 and up until the approval of these financial statements by the Board of Directors are presented below.
With regard to the pronouncements on the years 2003, 2004 and 2005, as already described in the previous financial statements, the Provincial Tax Commission of Genoa ruled in favour of the Tax Authorities with respect to the taxes only, the company lodged an appeal with subsequent appearance before the Regional Tax Commission on 8 July 2011.
The Tax Authorities also lodged appeals within the terms provided, limited to the fines, in relation to which the pronouncement of the Regional Tax Commission had ruled in favour of the company.
Also with regard to the pronouncements on the year 2006, the Provincial Tax Authorities of Genoa ruled in favour of the Tax Authorities with respect to the taxes only; the company promptly challenged the pronouncement before the Regional Tax Authorities and a hearing date is pending.
On 08 August 2012 a notice of assessment was served for 2007, again relating to the deduction of the depreciation/amortisation for that year of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. (higher taxes demanded Euro 1,503,342).
The company filed the related appeal and appeared before the court on 11 December 2012. The Provincial Tax Commission of Genoa ruled in favour of the Tax Authorities with respect to the taxes only, a ruling filed on 24 April 2015. The terms are pending for the company's appeal to the Regional Tax Commission.
On 08 March 2013 a notice of assessment was served for 2008, again relating to the deduction of the depreciation/amortisation for that year of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. (higher taxes demanded Euro 1,267,248).
The company filed the related appeal on 24 April 2013 and appeared before the court on 9 May 2013. In this case too the Provincial Tax Commission of Genoa ruled in favour of the Tax Authorities with respect to the taxes only, a ruling filed on 24 April 2015.
In 2013 it was subject to a tax audit by the Liguria Regional Department of the Tax Authorities for the years 2009, 2010 and 2011. This audit was completed in April 2014.

The company settled a number of minor charges and, to date, no notices of assessment have been served for 2010 and 2011 in relation to the deduction of depreciation/amortisation for those years of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A.
On 4 June 2014 the request for clarifications under the terms of Art. 37-*bis* paragraph 4 Italian Presidential Decree 600/73 was notified for the years 2009 – 2010 – 2011 in relation to the deduction of depreciation/amortisation deriving from the business transfer on 23 December 1999 carried out by AMGA S.p.A. described in detail in the financial statements at 31 December 2013.
On 1 August 2014 the company presented its defensive briefs in keeping with the indications with reference to the years already covered by the notice of assessment.
On 09 September 2014 a notice of assessment was served for 2009, again relating to the deduction of the depreciation/amortisation for that year of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. (higher taxes demanded Euro 1,267,248).
The Company lodged the related appeal on 29/10/2014. The case was discussed on 20 April 2015. The Provincial Tax Commission of Genoa upheld the company's appeal in full with a judgement filed on 28 May 2015. The terms are pending for the tax office's appeal to the Regional Tax Commission.
On 21 and 28 May 2015 notices of assessment have been served for the years 2010 and 2011 for which an application for assessment with acceptance has been filed. The terms are currently pending for an appeal against the same before the Provincial Tax Commission of Genoa.
In relation to the dispute described above the Tax Authority entered in the roll the amounts due on the basis of the law in relation to the years 2003-2004-2005-2006 for a total of Euro 4,745,569 including ancillary expenses. The related amounts were promptly paid within the respective expiry dates.
The amounts paid were accounted for under the item other non-current receivables.
On 12 May 2015 the payment demands related to the years 2007 and 2008 were notified to the company. In relation to these the company presented an application for administrative suspension was presented and this was accepted on 9 July 2015.
Both in the light of the opinion issued by the tax consultants that assist it, and considering the favourable pronouncement indicated above in relation to the year 2009, the Company believes that the risk deriving from the dispute can be classified as a contingent liability under the terms of IAS 37, as it is a possible but not probable expense: as a consequence, in keeping with the indications of the relevant accounting standard, it has been disclosed in the notes to the statements prepared from time to time, without setting aside any provisions. This is based on the opinion that it is unlikely that the Company will have to pay any amount in relation to this obligation taking into account the strong defence raised during the proceedings.
An examination of the grounds of the unfavourable judgements - on the matter of tax - of first instance, made also with the support of the company's legal consultants, did not lead to a revision of the probabilistic opinion formulated above: they seem, in fact, faulty from a logical and legal point of view, and we believe that the decision will be overturned in the subsequent levels of judgement. The lawyers were therefore asked to prepare the appeal claim, which was lodged in accordance with law.
The total acceptance of the appeal related to the year 2009 referred to above has further strengthened this conviction.
At this stage of proceedings, and the above-mentioned reasons (duly motivated in other deeds issued during the proceedings), and based on the reasons specified in the first instance pronouncement, the Company believes that the appeal will be successful and that the assessment notices will be cancelled.
Therefore, the Company does not deem it necessary to set aside a specific provision as it is not probable that economic resources will be used to settle the tax claims.

Pursuant to paragraph 86 of IAS 37, the following information regarding contingent liabilities is supplied:
a) in the event that the orientation of the first instance rulings is consolidated, for all years still open for income tax purposes, the company will consider as non-tax deductible all amortisation/depreciation calculated by Mediterranea delle Acque on gains resulting from transfers from AMGA SPA, at that time not subject to taxation, and amounting to around Euro 93 million. This would result in a total tax payable plus interest of approximately Euro 32.3 million, of which around Euro 1.3 million in higher taxes for 2015;
b) if the outcome is unfavourable, it is however impossible to establish the time when the matter will become unfavourable for the Company and when the aforementioned amounts will become payable (also taking account of tax collection dynamics which, although in the presence of a pending ruling, provide for a preliminary payment of a portion of the tax assessed in the event that the case is lost);
c) the Company deems it a mere possibility that resources expected to produce economic benefits will have to be used to fulfil tax obligations.

IX. SEGMENT REPORTING

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.
Given the nature of the activity carried out by Group companies, a geographical segment analysis is not relevant.

OPERATING SEGMENTS

The Iren Group operates in the following business segments:
- Generation and District Heating (Hydroelectric Production, Cogeneration of Power and Heat, District Heating Networks);
- Market (Sale of electrical energy, gas, heat);
- Energy Infrastructures (Electricity Distribution Networks, Gas Distribution Networks);
- Integrated Water Service (Sale and distribution of water, water treatment and sewerage);
- Waste Management (Waste collection and disposal);
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.
Net invested capital compared to the figures at 31.12.2014 and income statements (up to the operating performance) are presented below by business segment and include a comparison with the figures for the first half of 2014.

Statement of financial position restated by operating segment at 30 June 2015

millions of euro

	Generation and District heating	Market	Energy infrastructure	Integrated Water Service	Environment	Other services	Non-allocable	Total
Non-current assets	1,941	58	881	1016	401	23	262	4,582
Net working capital	65	12	-71	143	9	16	-	173
Other non-current assets and liabilities	-93	30	-64	-308	-103	-25	-	-563
Net invested capital (NIC)	**1,913**	**100**	**746**	**851**	**307**	**14**	**262**	**4,192**
Equity								2,037
Net financial position								2,155
Own funds and net financial indebtedness								**4,192**

Statement of financial position restated by operating segment at 31 December 2014

millions of euro

	Generation and District heating	Market	Energy infrastructure	Integrated Water Service	Environment	Other services	Non-allocable	Total
Non-current assets	1,998	66	870	985	420	27	253	4,619
Net working capital	107	18	-71	120	58	-3	8	238
Other non-current assets and liabilities	-101	30	-58	-311	-109	-18	-11	-578
Net invested capital (NIC)	**2,004**	**114**	**741**	**794**	**369**	**6**	**250**	**4,279**
Equity								1,993
Net financial position								2,286
Own funds and net financial indebtedness								**4,279**

Income Statement by segment at 30 June 2015

millions of euro

	Generation and District heating	Market	Energy infrastructure	Integrated Water Service	Environment	Other services	Netting and adjustments	Total
Total revenue and income	398	1,199	169	223	234	55	-698	1,580
Total operating expense	-295	-1,137	-98	-136	-198	-36	698	-1,202
Gross Operating Profit (EBITDA)	**103**	**62**	**71**	**87**	**36**	**19**	**-**	**378**
Net am./depr., provisions and impairment losses	-66	-16	-21	-33	-24	-1	-	-161
Operating profit (EBIT)	**37**	**46**	**50**	**54**	**12**	**18**	**-**	**217**

Income Statement by segment at 30 June 2014

millions of euro

	Generation and District heating	Market	Energy infrastructure	Integrated Water Service	Environment	Other services	Netting and adjustments	Total
Total revenue and income	413	1,299	161	222	115	59	-749	1,520
Total operating expense	-341	-1,251	-91	-138	-88	-36	749	-1,196
Gross Operating Profit (EBITDA)	**72**	**48**	**70**	**84**	**27**	**23**	**0**	**324**
Net am./depr., provisions and impairment losses	-36	-20	-21	-35	-17	-3	-	-132
Operating profit (EBIT)	**36**	**28**	**49**	**49**	**11**	**20**	**-**	**192**

X. ANNEXES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FULLY CONSOLIDATED COMPANIES

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

INVESTMENTS IN OTHER COMPANIES

RECONCILIATION OF IAS/IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication No. 6064293 dated 26 July 2006)

TRANSACTIONS WITH RELATED PARTIES

FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Iren Acqua Gas S.p.A.	Genoa	Euro	386,963,511	100.00	Iren
Iren Ambiente Holding S.p.A.	Piacenza	Euro	1,000,000	100.00	Iren
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00	Iren
Iren Emilia S.p.A.	Reggio Emilia	Euro	196,832,103	100.00	Iren
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00	Iren
AEM Torino Distribuzione S.p.A.	Turin	Euro	126,127,156	100.00	Iren Energia
AGA S.p.A.	Genoa	Euro	11,000,000	99.64	Iren Emilia
Amiat S.p.A.	Turin	Euro	46,326,462	80.00	Amiat V
Amiat V. S.p.A.	Turin	Euro	1,000,000	93.0592	Iren Ambiente
				0.0008	Iren
Bonifica Autocisterne	Piacenza	Euro	595,000	51.00	Iren Ambiente Holding
Iren Gestioni Energetiche S.p.A.	Genoa	Euro	10,000,000	100.00	Iren Mercato
Consorzio GPO	Genoa	Euro	20,197,260	62.35	Iren Emilia
Eniatel S.p.A.	Piacenza	Euro	500,000	100.00	Iren Emilia
GEA Commerciale S.p.A.	Grosseto	Euro	340,910	100.00	Iren Mercato
Genova Reti Gas S.r.l.	Genoa	Euro	1,500,000	100.00	Iren Acqua Gas
Idrotigullio S.p.A.	Chiavari (GE)	Euro	979,000	66.55	Mediterranea delle Acque
Immobiliare delle Fabbriche S.r.l.	Genoa	Euro	90,000	100.00	Mediterranea delle Acque
Iren Servizi e Innovazione S.p.A.	Turin	Euro	52,242,791	100.00	Iren Energia
Laboratori Iren Acqua Gas S.p.A.	Genoa	Euro	2,000,000	90.89	Iren Acqua Gas
Mediterranea delle Acque S.p.A.	Genoa	Euro	19,203,411	60.00	Iren Acqua Gas
Monte Querce	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
Nichelino Energia S.r.l.	Turin	Euro	8,500,000	100.00	Iren Energia
O.C.Clim S.r.l.	Savona	Euro	100,000	100.00	Iren Gestioni Energetiche
Tecnoborgo S.p.A.	Piacenza	Euro	10,379,640	99.50	Iren Ambiente
				0.50	Iren
TLR V. S.p.A.	Turin	Euro	120,000	99.996	Iren Energia
				0.001	Iren
				0.001	Iren Ambiente
				0.001	Iren Emilia

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Joint ventures

Company	Registered office	Currency	Share capital	% interest	Shareholder company
IREN Rinnovabili (Group)	Reggio Emilia	Euro	285,721	70.00	Iren Ambiente Holding
Olt Offshore Toscana LNG S.p.A.	Milan	Euro	145,750,700	43.99	Iren Mercato
Acque Potabili (Group)	Turin	Euro	7,633,096	44.92	Iren Acqua Gas

Associates

Company	Registered office	Currency	Share capital	% interest	Shareholder company
A2A Alfa S.r.l.	Milan	Euro	100,000	30.00	Iren Mercato
Acos Energia S.p.A.	Novi Ligure	Euro	150,000	25.00	Iren Mercato
Acos S.p.A.	Novi Ligure	Euro	17,075,864	25.00	Iren Emilia
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	46.00	Iren Acqua Gas
Aguas de San Pedro	S.Pedro Sula (Honduras)	Lempiras	159,900	30.00	Iren Acqua Gas
Aiga S.p.A.	Ventimiglia	Euro	104,000	49.00	Iren Acqua Gas
Amat S.p.A.	Imperia	Euro	5,435,372	48.00	Iren Acqua Gas
Amter S.p.A.	Cogoleto	Euro	404,263	49.00	Mediterranea delle Acque
ASA S.p.A.	Livorno	Euro	28,613,414	40.00	AGA
ASTEA	Recanati	Euro	76,115,676	21.32	Consorzio GPO
Asti Energia e Calore	Asti	Euro	120,000	34.00	Iren Energia
Atena S.p.A.	Vercelli	Euro	8,203,255	40.00	Iren Emilia
Domus Acqua S.r.l.	Domusnovas	Euro	96,000	29.00	Iren Acqua Gas
Fata Morgana S.p.A. (**)	Reggio Calabria	Euro	1,402,381	25.00	Iren Emilia
Fin Gas srl	Milan	Euro	10,000	50.00	Iren Mercato
Global Service Parma	Parma	Euro	20,000	30.00	Iren Emilia
Il Tempio S.r.l.	Reggio Emilia	Euro	110,000	45.45	Iren Emilia
Iniziative Ambientali S.r.l.	Novellara	Euro	100,000	40.00	Iren Ambiente Holding
Mestni Plinovodi	Koper (Slovenia)	Euro	15,952,479	49.88	Iren Acqua Gas
Mondo Acqua	Mondovì	Euro	1,100,000	38.50	Iren Acqua Gas
Nord Ovest Servizi	Turin	Euro	7,800,000	10.00	Iren Acqua Gas
				15.00	AMIAT
Piana Ambiente S.p.A. (**)	Gioia Tauro	Euro	1,719,322	25.00	Iren Emilia
Plurigas (**)	Milan	Euro	800,000	30.00	Iren
Rio Riazzone S.p.A.	Reggio Emilia	Euro	103,292	44.00	Iren Ambiente Holding
S.M.A.G. (*)	Genoa	Euro	20,000	30.00	Iren Acqua Gas
Salerno Energia Vendite	Salerno	Euro	2,447,526	39.40	GEA Commerciale
Sea Power & Fuel S.r.l.	Genoa	Euro	10,000	50.00	Iren Mercato
Sinergie Italiane S.r.l. (***)	Milan	Euro	1,000,000	30.94	Iren Mercato
So. Sel. S.p.A.	Modena	Euro	240,240	24.00	Iren Emilia
Tirana Acque (***)	Genoa	Euro	95,000	50.00	Iren Acqua Gas
TRM V. S.p.A.	Turin	Euro	1,000,000	48.80	Iren Ambiente
				0.10	Iren Emilia
				0.10	Iren Energia
Valle Dora Energia Srl	Turin	Euro	537,582	49.00	Iren Energia

(*) company classified among assets held for sale
(**) company in liquidation classified among assets held for sale
(***) company in liquidation

INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share capital share	% stake	Company company
Acque Potabili Siciliane	Palermo	Euro	5,000,000	56.77	Società Acque Potabili
				9.83	Mediterranea delle Acque
Astea Energia	Osimo (AN)	Euro	117,640	6.00	Iren Mercato
Atena Patrimonio	Vercelli	Euro	73,829,295	14.65	Iren Emilia
Autostrade Centro Padane	Cremona	Euro	30,000,000	1.46	Iren Emilia
BT ENIA Telecomunicazioni	Parma	Euro	4,226,000	12.01	Iren Emilia
C.R.P.A.	Reggio Emilia	Euro	1,851,350	5.40	Iren Emilia
CIDIU SPA	Collegno (TO)	Euro	4,335,314	4.82	AMIAT
CONSORZIO COMPOST CIC	Bologna	Euro	287,948		AMIAT
Consorzio L.E.A.P.	Piacenza	Euro	1,192,079	0.84	Iren Ambiente Holding
Consorzio Topix	Turin	Euro	1,685,000	0.30	Iren Energia
Cosme	Genoa	Euro	320,000	1.00	Iren Acqua Gas
CSP Innovazione nelle ICT	Turin	Euro	641,000	6.10	Iren Energia
Energia Italiana S.p.A.	Milan	Euro	26,050,000	11.00	Iren Energia
Environment Park S.p.A.	Turin	Euro	11,406,780	3.39	Iren Energia
				7.41	AMIAT
Italeko AD	Sofia (Bulgaria)	Lev	50,000	10.00	AMIAT
RE Innovazione	Reggio Emilia	Euro	882,872	0.87	Iren Ambiente Holding
Rupe S.p.A.	Genoa	Euro	3,057,898	0.39	Immobiliare delle Fabbriche
S.D.B. S.p.A.	Turin	Euro	536,000	1.00	Iren Servizi e Innovazione
Stadio Albaro	Genoa	Euro	1,230,000	2.00	CAE Amga Energia
T.I.C.A.S.S.	Genoa	Euro	98,000	4.08	Iren Acqua Gas
Valfontanabuona Sport S.r.l. (*)	Genoa	Euro	45,250	51.00	O.C.Clim S.r.l.

(*) equity investment held for sale

RECONCILIATION OF IAS/IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication No. 6064293 dated 26 July 2006)

thousands of euro

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	2,933,266		
Investment property	14,251		
Intangible assets	1,247,921		
Goodwill	124,407		
Investments accounted for using the equity method	244,633		
Other equity investments	17,817		
Total (A)	**4,582,295**	**Non-Current Assets (A)**	**4,582,295**
Other non-current assets	46,408		
Other payables and other non-current liabilities	(193,292)		
Total (B)	**(146,884)**	**Other non-current assets (liabilities) (B)**	**(146,884)**
Inventories	87,350		
Non-current trade receivables	58,704		
Trade receivables	851,306		
Current tax assets	10,128		
Other receivables and other current assets	169,822		
Trade payables	(714,339)		
Other payables and other current liabilities	(226,870)		
Current tax liabilities	(63,294)		
Total (C)	**172,807**	**Net working capital (C)**	**172,807**
Deferred tax assets	279,065		
Deferred tax liabilities	(160,661)		
Total (D)	**118,404**	**Deferred tax assets (liabilities) (D)**	**118,404**
Employee benefits	(146,519)		
Provisions for risks and charges	(298,612)		
Provisions for risks and charges - current portion	(95,018)		
Total (E)	**(540,149)**	**Provisions and employee benefits (E)**	**(540,149)**
Assets held for sale	5,443		
Liabilities related to assets held for sale	-		
Total (F)	**5,443**	**Assets (Liabilities) held for sale (F)**	**5,443**
		Net invested capital (G=A+B+C+D+E+F)	**4,191,916**
Equity (H)	**2,036,887**	**Equity (H)**	**2,036,887**
Non-current financial assets	(64,350)		
Non-current financial liabilities	2,365,276		
Total (I)	**2,300,926**	**Non-current financial indebtedness (I)**	**2,300,926**
Current financial assets	(546,147)		
Cash and cash equivalents	(29,457)		
Current financial liabilities	429,707		
Total (L)	**(145,897)**	**Current financial indebtedness (L)**	**(145,897)**
		Net financial indebtedness (M=I+L)	**2,155,029**
		Own funds and net financial indebtedness (H+M)	**4,191,916**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial Receivables and Cash and cash equivalents	Other receivables	Trade Payables	Financial payables
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	9,720	814	10	6,914	-
Municipality of Parma	16,643	-	124	1,373	-
Municipality of Piacenza	493	-	1	2,517	-
Municipality of Reggio Emilia	3,660	-	-	3,415	-
Municipality of Turin	64,711	123,269	83	3,938	-
Finanziaria Sviluppo Utilities	14	-	2,913	-	-
Intesa Sanpaolo Group	-	2,850	-	-	168,867
JOINT VENTURES					
OLT Offshore LNG	631	439,000	-	-	-
Società Acque Potabili	17,484	2,461	-	2,371	-
Iren Rinnovabili S.p.A.	424	33,016	106	211	862
ASSOCIATES					
Acos Energia S.p.A.	707	-	-	(6)	-
Acos S.p.A.	20	191	-	-	-
Acquaenna S.c.p.a.	3,644	308	-	384	-
Aguas de San Pedro S.A.	-	454	-	-	-
Aiga S.p.A.	24	466	-	-	-
Amat S.p.A.	62	-	-	2	-
Amter S.p.A.	2,619	-	-	313	-
ASA S.p.A.	5,321	4,082	-	239	-
ASTEA	-	640	-	-	-
Atena S.p.A.	132	1,216	-	11	-
Domus Acqua S.r.l.	42	-	-	-	-
Global Service Parma	3,287	-	-	856	-
Il Tempio S.r.l.	3	310	-	-	-
Iniziative Ambientali S.r.l.	2	-	-	-	-
Mondo Acqua	145	-	-	-	-
Nord Ovest Servizi	-	20	-	-	-
Piana Ambiente S.p.A.	62	-	-	-	-
Plurigas S.p.A. (in liquidation)	6	-	-	(259)	-
Rio Riazzone S.p.A.	-	-	-	30	-
S.M.A.G. srl	66	-	-	1,523	-
Salerno Energia Vendite	75	-	-	-	-
Sea Power & Fuel S.r.l.	2	-	-	-	-
Sinergie Italiane S.r.l.	-	-	11,040	5,280	-
So. Sel. S.p.A.	6	-	-	1,957	-
TRM V	19	-	-	-	-
TRM	11,385	-	-	11,659	-
Valle Dora Energia Srl	4	-	-	-	186
OTHER RELATED PARTIES					
Agac Infrastrutture	-	-	-	1,099	-
Parma Infrastrutture	8,939	-	-	309	-
Piacenza Infrastrutture	6	-	-	571	-
Fondo Pensionistico Pegaso	-	-	-	-	-
Sportingenova	-	-	-	-	-
TOTAL	**150,358**	**609,097**	**14,277**	**44,707**	**169,915**

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	-	5,405	1,464	-	-
Municipality of Parma	-	12,970	604	-	-
Municipality of Piacenza	-	7,746	680	-	-
Municipality of Reggio Emilia	-	14,995	164	-	-
Municipality of Turin	79	103,818	2,204	1,203	-
Finanziaria Sviluppo Utilities	-	14	-	-	-
Intesa Sanpaolo Group	-	-	334	-	2,625
JOINT VENTURES					
OLT Offshore LNG	-	3	-	8,338	-
Società Acque Potabili	-	2,667	195	43	-
Iren Rinnovabili S.p.A.	186	388	70	467	-
ASSOCIATES					
Acos Energia S.p.A.	-	6,423	-	-	-
Acos S.p.A.	-	17	1	82	-
Acquaenna S.c.p.a.	-	114	-	19	-
Aguas de San Pedro S.A.	-	-	-	-	-
Aiga S.p.A.	-	-	-	6	-
Amat S.p.A.	-	23	-	-	-
Amter S.p.A.	-	1,366	3	-	-
ASA S.p.A.	-	185	37	-	-
ASTEA	-	4	-	-	-
Atena S.p.A.	-	75	-	1,037	-
Domus Acqua S.r.l.	-	1	-	-	-
Global Service Parma	-	1,841	305	-	-
Il Tempio S.r.l.	-	-	-	24	-
Iniziative Ambientali S.r.l.	-	-	-	-	-
Mondo Acqua	-	78	-	-	-
Nord Ovest Servizi	-	-	-	-	-
Piana Ambiente S.p.A.	-	-	-	-	-
Plurigas S.p.A. (in liquidation)	-	-	-	-	-
Rio Riazzone S.p.A.	-	-	127	-	-
S.M.A.G. srl	-	23	1,483	-	-
Salerno Energia Vendite	-	75	-	-	-
Sea Power & Fuel S.r.l.	-	-	-	-	-
Sinergie Italiane S.r.l.	-	21	36,194	-	-
So. Sel. S.p.A.	-	3	1,748	-	-
TRM V	-	191	-	-	-
TRM	-	9,354	24,624	-	-
Valle Dora Energia Srl	-	2	52	-	-
OTHER RELATED PARTIES					
Agac Infrastrutture	-	-	3,450	-	-
Parma Infrastrutture	-	467	1,102	120	-
Piacenza Infrastrutture	-	5	571	-	-
Fondo Pensionistico Pegaso	1,789	-	-	-	-
Sportingenova	-	-	-	-	-
TOTAL	**2,054**	**168,274**	**75,412**	**11,339**	**2,625**

Statement regarding the condensed interim report pursuant to Art. 154-bis of Italian Legislative Decree 58/1998 168

1. The undersigned Massimiliano Bianco, Chief Executive Officer, and Massimo Levrino, Administration, Finance and Control Manager and Corporate Financial Reporting Manager of IREN S.p.A., hereby certify, also in view of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24th February 1998:

   - the adequacy in respect of the company's characteristics and

- the effective application of the administrative and accounting procedures for preparation of the condensed interim financial statements during the first half of 2015.

2. It is also certified that:

   2.1 the condensed interim financial statements:

   a) have been drawn up according to the international accounting standards applicable and recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) are in agreement with the accounting books and documents;

   c) give a true and fair view of the economic and financial situation and capital of the Group and of all the companies included in the consolidation.

   2.2 the interim report on operations includes a reliable analysis of references to significant events that occurred in the first six months of the year and their impact on the condensed consolidated interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information on significant transactions with related parties.

27 August 2015

The Chief Executive Officer	Administration and Finance Director and Financial Reporting Manager appointed under Law 262/05
Massimiliano Bianco	Massimo Levrino

REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Iren SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Iren SpA and its subsidiaries (the "Iren Group") as of 30 June 2015, comprising the statement of financial position, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The Directors of Iren SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34), as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Iren Group as of 30 June 2015 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Turin, 27 August 2015

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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